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DRUG STORE NEWS®

Vol. 8/No. 21 **Serving chains, wholesalers and high-volume independents for 57 years.** Published by Lebhar-Friedman Inc. September 29, 1986

Rite Aid buyout fortifies its position in Southeast

By Al Heller

CHARLESTON, S.C. — Rite Aid has taken another step in its march South by acquiring nine stores of Harris Drugs here in a cash deal for an undisclosed price.

The late September buyout gives Rite Aid a clear edge in this growing market where Eckerd and Revco each have about 10 stores; Drug Emporium, two; and now Rite Aid has 20. It raises Rite Aid's total to 62 stores in the state.

Executive vp Martin Grass called Harris "the most viable independent left in South Carolina. It's the perfect fit in the puzzle" on several counts.

The takeover will likely enable Rite Aid to dominate the state's third largest market as it eyes much of its new store growth in the southeastern corridor from Virginia to the Florida Panhandle.

Close match

In addition, most Harris stores are 7,000 sq. ft., a close match to Rite Aid's 6,400-sq.-ft. bantam format, which will ease the process of resetting, resigning and remerchandising the stores by late October.

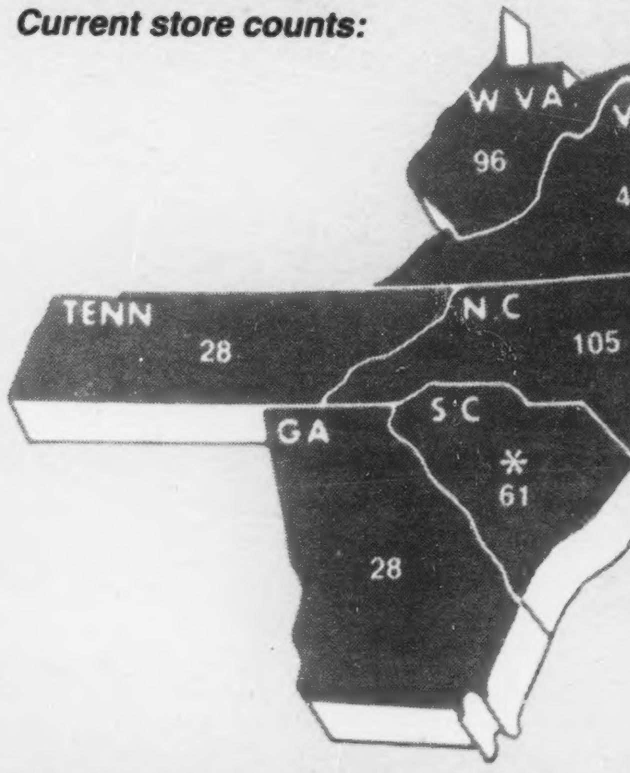
Grass said Rite Aid store signs would be up by the end of September, immediately after the deal is concluded, and stores would remain open during both phases of revamp, which he estimated to cost $75,000 to $80,000 per store.

Phase one will be the October remerchandising to reassort, add Rite Aid private la-

See **Rite Aid,** *page 98*

Rite Aid targets Southeast expansion

Current store counts:



****Winnsboro, S.C. 265,000 sq. ft. Service capacity: 500 stores.***

These stores are currently being serviced by a distribution center in Nitro, W. Va. However, a new 265,000-sq.-ft. DC is slated to open in Winnsboro, S.C., next spring with capacity to service 500 stores in the Southeast. The new DC will service stores primarily in South Carolina, North Carolina, Tennessee and Georgia, leaving the Nitro DC to meet expansion needs in other markets.

Source: Rite Aid

Key takes backseat in Pay Less' plans

By Lou Karney

WILSONVILLE, Ore. — In a major shift of priorities, Pay Less NW has put its Key Drug program on the back burner and moved Wonder World front-and-center.

Key Drug is Pay Less' downsized version (6,000-10,000 sq. ft.), while Wonder World is a 55,000-sq.-ft. deep discount store without pharmacy.

Pay Less' redirection was signalled several months ago when Gordon Barker, former general manager of Key and a 20-year Pay Less veteran, was named operations manager of Wonder World. He was not replaced at Key.

A source close to Pay Less said: "Noel Flynn (senior vp-pharmacy, who heads Key) has too many corporate responsibilities to handle day-to-day activities of Key. In addition, Key does not have an adequate staff to find the locations." Flynn would not comment.

However, another Pay Less exec insisted that "Key would open 10 new stores tomorrow if they could get the locations."

Picking locations

But locations are difficult to come by. One reason is the requirements, which include adequate parking, a population draw of 5,000 to 10,000 people and a grocery store nearby to

See **Key,** *page 98*

NACDS endorses CIP for Medicaid repayments

ORLANDO, Fla. — In what has been described as a "once-in-a-generation opportunity for the chain drug industry," the National Association of Chain Drug Stores has endorsed a "somewhat modified" competitive incentive program (CIP) to replace current Medicaid prescription drug reimbursements.

The announcement came from NACDS president Robert Bolger, speaking before an audience of approximately 800 chain drug execs and manufacturers' reps at this year's NACDS Pharmaceutical Conference.

In his remarks, Bolger said that a modified CIP program holds the greatest promise for "simultaneously achieving substantial program savings and at the same time redressing longstanding inequities in the reimbursement system."

Additionally, he said such a program would "significantly

See **NACDS,** *page 98*

Genovese coo quits

MELVILLE, N.Y. — Genovese Drug Stores said Patrick R. Edwards, president and coo, resigned Sept. 12 to pursue other business interests. Chairman and ceo Leonard Genovese, 52, assumed Edwards' spot immediately, giving Genovese back the dual role he held until a year ago, when Edwards joined the drug chain from Allied Stores. A Genovese spokesman would not elaborate. Under Edwards, 46, Genovese set itself on a turnaround track.

Turnaround strategies pay off for Fay's, Genovese

Fay's net earnings in second quarter double

LIVERPOOL, N.Y. — Strategies employed by Fay's to raise profitability in a weak sales environment have begun to pay off and reverse an earnings slide that started last year and continued into the first quarter of 1986.

Fay's has shown the first signs of shaking off last year's 68% earnings slide, only its third down year in profits out of 17 years as a public company, by: raising prices in selected markets, running fewer items in each ad to reduce the share of volume done on promotion, tightening expense controls and concentrating expansion in existing markets.

Moreover, Fay's is sticking to aggressive new store opening and remodeling plans, de-

See **Fay's,** *page 98*

'Our planning is addressing profitability in a different manner.'
—Henry A. Panasci Jr.
chairman, Fay's

Nation's top 100 drug store markets See page 64

Alternative cards let it

0026934C DR
KEVIN KENDRICK
CONGRESSIONAL INFO SVC 1G5
4520 EAST WEST HWY STE 800
BESTHESDA MD 20814

Genovese improves distribution, merchandising

MELVILLE, N.Y. — Genovese Drug Stores appears to be on track in its turnaround efforts this year, due in large part to stronger distribution, merchandising and cost containment programs.

Moreover, Genovese's next store, its 80th, could mark a new direction in the chain's expansion strategies. The store, slated for suburban Douglaston, N.Y., would be a compact 6,000-sq.-ft. format—about half the size of its current 11,000-12,000-sq.-ft. prototype.

Vp-marketing Donald Gross declined to reveal further details about the store, except to say that "it's possible we'll see more small stores because of real estate costs." He said, however, that most new stores would be in its current larger size, depending on available sites and neighborhood demographics.

'[We're] on target, slightly exceeding goals, but not yet where we expect to be by year-end.'
—Donald Gross
vp-marketing, Genovese

Genovese may not open the store until early 1987 because of slight delays in its scheduled October opening. "We don't cut into the Christmas season," Gross said.

The store would be Geno-

See **Genovese,** *page 8*

NEWS IN BRIEF

Drug Emporium settles diversion case

ATLANTA — Drug Emporium has settled for $100,000 a federal Justice Department charge against the company that stems from a 1985 probe of diversion activities.

The settlement followed guilty pleas by the chain and two pharmacists, who were charged with dealing in misbranded drugs, a misdemeanor.

The chain and pharmacists Stephen Denovchek and Vincent DiMaggio pleaded guilty Sept. 9 to charges of dealing in drugs obtained from Georgia. The drugs were obtained for stores in Cincinnati and Columbus through Tri-State Pharmaceuticals, a Cincinnati wholesaler. Tri-State last year was identified as a dealer in misbranded drugs when former Drug Emporium pharmacist Jimmie Wilson was charged with sending misbranded drugs from Georgia.

Since diversion activities in Ohio were brought to light over a year ago by the federal probe and by an investigation by the Ohio State Pharmacy Board, Drug Emporium has instituted strict policies against obtaining diverted drugs, said Charles Kahn, vp-finance.

"It was less than 1% of our business. We have since taken all such items off our shelves and have a stringent policy prohibiting any purchase from the diversion market," Kahn said.

Compact Video to buy Adams Drug

BURBANK, Calif. — Compact Video has signed a letter of intent to buy 400-store Adams Drug, based in Pawtucket, R.I., from Revlon Group. Terms will be $80 million in cash and $15 million in junior subordinated notes.

Both Compact Video, a Burbank-based servicer and manufacturer of video communications products, and Revlon parent Pantry Pride are controlled by MacAndrews & Forbes.

Drug Store News reported earlier that the sale of Adams amounts to a reshuffling of assets by MacAndrews. The transfer of Adams, which had been negotiated since last February, is expected to make Adams the primary growth vehicle at Compact.

Cardinal cites steep net climb

DUBLIN, Ohio — Cardinal Distribution reported sharply higher sales and improved net earnings in the first quarter ended June 28.

Sales jumped 44% to $145.2 million in the quarter, up from $100.5 million last year. Much of that gain is attributable to two months performance of James W. Daly, a drug and hospital supply wholesaler in Peabody, Mass., acquired April 30. Sales grew 28% exclusive of Daly.

Drug sales for the quarter rose to $86.9 million, or 59.8% of total sales, up from $46.4 million, or 46.2% of total sales, in the same period a year ago. That gain reflects contributions by Daly, expanded programs to hospitals and a strong retail drug sales environment.

Operating earnings rose 25% to $2.5 million, up from $2 million in the year-ago quarter, reflecting growth in the high-margin drug distribution segment.

Net earnings climbed to $1.2 million in the first quarter, up from $1.08 million a year ago, and were dampened in part by start-up expenses associated with the opening of new Mr. Moneysworth discount warehouse food stores.

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Vol. 8, No. 21 September 29, 1986

Pharm-Escomptes hires execs as prep for N. Eng. debut

MONTREAL — Pharm-Escomptes Jean Coutu has hired two key executives as a major step toward the debut of its first five deep discount drug stores in New England in early 1987. The chain's working title is J. C. Super Drug, market sources said.

Vp-Michel Coutu said that Quebec's largest drug retailer has brought on board Arthur Villeneuve as vp-operations and George Neville as vp-merchandising and purchasing to help direct the assault on the United States. Both are former Adams executives.

Coutu said these hirees clear the decks to open "the store of the future"—a primarily deep discount format, but with some of the service and variety elements of traditional drug stores.

The five stores will range from 20,000-25,000 sq. ft., including 15,000-18,000 sq. ft. of selling space. Coutu projects that each will generate $10 million sales during their first year.

Centralized buying

The new chain will buy centrally, but all merchandise will be drop-shipped to stores.

"We've looked at this market for several years," said Coutu, "and concluded there is no future for us with a traditional drug store in the U.S. That's why we want to open stores that will not be like everyone else."

He called New England "virgin territory" for an approach of this type.

Neville and Villeneuve have recently traveled across the United States "looking at dozens of drug stores" to glean ideas for the new chain. Neville declined to talk in detail about the merchandising formula, but said stores would have the deal items one would expect to see in a deep discounter and merchandise typically found in traditional drug stores.

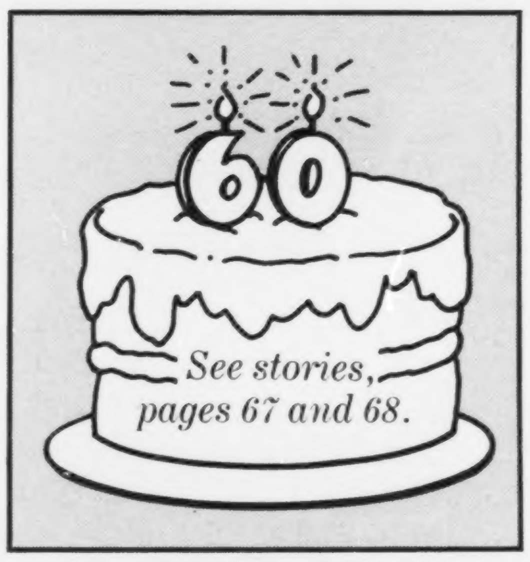
The mix will include convenience foods and a full-service pharmacy, which Coutu believes is critical for any drug chain's survival today. The chain is currently seeking a director of pharmacy operations, the executives told *Drug Store News* in an exclusive interview.

2 ways to go

"In my mind there are two ways of doing business," said Coutu. "You can go for short-term gains by offering minimum service and low prices, or long-term gains by offering service and low prices. We tend to go with the latter."

"We want to do this right," said Coutu, explaining why he would rather not rush to open stores for the Christmas season. "We want to do some market testing of our first store. We want all the bugs worked out before we open our doors to the public."

Big Apple hosts Affil./Assoc.



See stories, pages 67 and 68.

NEW YORK — Buyers and merchandisers from as many as 100 drug chains were gearing up to attend the Affiliated/Associated fall merchandise show at the Omni Park Central Hotel here.

The show, being held Sept. 28-Oct. 1, will feature 170 exhibitors occupying every room on the fourth, fifth and sixth floors of the hotel. They will be displaying some 500 lines of H&BA and sundry merchandise. Twenty-two of the exhibitors are first-timers.

In a separate event, *Drug Store News* was scheduled to hold its Second Annual REX Retail Excellence Awards Dinner at the Sheraton Center on Sunday night, Sept. 28.

The publication was honoring its annual award winners in many different categories including large and small chains of the year, merchandising executive of the year and wholesaler of the year, plus the companies selected by retailers from their 1985/86 market-making products.

Affiliated was slated to hold its traditional idea-exchange session called "What's Good With You" on Sunday, Sept. 28, 9 a.m. to 4 p.m. The program included an update on health & beauty aids and cosmetics and a panel on importing.

Associated's Sunday afternoon membership meeting (1:30 p.m. to 4 p.m.) was entitled "Yes, We Can."

The meetings were to be followed by a reception at the Omni for both groups sponsored by *Drug Store News*.

The exhibitor showrooms at the Omni will be open to members on Monday and Tuesday, Sept. 29 and 30, and on Wednesday, 9 a.m. to 1 p.m.

Seaway to dip into Rx waters

MAUMEE, Ohio — Seaway Food Town, owners of a 72-unit chain of conventional and warehouse-style supermarkets, is expanding into the drug store business on two fronts: testing deep discount drug stores and testing the expansion of pharmacy departments inside their food stores.

Part of Seaway's expansion into the drug store market is coming via acquisition. Seaway, for an undisclosed sum, has just acquired the four-store Westhaven chain of drug stores headquartered in Holland, Ohio, a suburb of Toledo.

Seaway, which opened one experimental deep discount drug store called W.D.'s Deep Discount last June, will use Westhaven's three deep discount drug stores, operated under the name The Pharm, to further test the deep discount format.

They will also keep the one conventional drug store operated under the Westhaven name as a vehicle "for learning more about the drug store and pharmacy business."

Richard Iott, Seaway's senior vp-marketing, said that Seaway views both deep discount drug stores and pharmacy departments within supermarkets as an "opportunity to expand our retail sales into different market segments as well as a way to make money."

Expansion plans

Iott said that Seaway will open at least one pharmacy department in one of its conventional Food Town supermarkets this year, and there will probably be more such pharmacy departments opening in Seaway food stores next year.

He said a decision on whether Seaway will also expand the deep discount drug stores will be made "at that point where we feel we have learned the business and we know where or how great the opportunity is."

Seaway currently operates 46 conventional supermarkets under the Food Town name, plus 26 warehouse-style Kash 'n Karry Super Food stores. At this point, he said it could be feasible for at least half the Food Towns and half the Kash 'n Karrys to support pharmacy departments as well as expanded H&BA and OTC sections.

Ohio and Michigan

All of the Seaway stores currently operate in 28 communities in Ohio and Michigan. The three Pharms are all in the Toledo market, one in the city of Toledo and two in its suburbs. W.D.'s is in Findlay, Ohio.

Right now, Iott estimates, the two oldest Pharms, which are about two years in operation, are doing in excess of $3 million a year per store. The younger store, which is about six months old, is building to that level.

He said W.D.'s, which opened last June, is doing in the vicinity of $50,000 a week and that sales have been growing at the rate of about 30% per month.

No decision has been made on whether The Pharm or W.D.'s will have a name change or whether any of the stores will be remerchandised, he said.

See **Seaway,** *page 98*

Stop & Shop to launch 23 superstores by '88

BOSTON — The Stop & Shop Cos. reported improved second-quarter results, driven in large part by the strong performing supermarket division.

The division at presstime had 27 superstores among its 111 store count in Connecticut, Massachusetts, Rhode Island and New York. Sixteen have pharmacies.

But virtually all new superstores—including four slated to open later in 1986 and a total of 23 to open between now and the end of 1988—will have pharmacies, chairman Avram Goldberg told *Drug Store News* recently. The exception will be in Massachusetts, where a state restriction bars pharmacies in food stores.

Stop & Shop plans to spend $225 million to expand its superstores during this period, part of its three-year, $500 million capital spending program announced at its annual meeting last spring to fund a combination of new stores, remodels, distribution center modernizations and scanning systems in its retail divisions, including Bradlees discount department stores and Almys promotional department stores.

The retailer opened three new superstores this past quarter in Hyannis, Mass.; Branford, Conn.; and Pawtucket, R.I.

Enabled to expand

Having sold Medi Mart to Walgreens, Stop & Shop is able to expand Rx operations in its superstores without fear of sales cannibalization between the two formats. That was one reason that led to the sale of the underperforming retail drug chain.

Superstores appear to warrant the extra corporate emphasis, judging by current performance. They "have a major positive impact on the profitability of the supermarket company, with customer acceptance being extremely strong," the company said.

Supermarket sales rose 11% in the second quarter ended Aug. 16 to $456.6 million, up from $409.8 million in the comparable year-ago period. Same store sales rose 6%.

The division's operating profits rose to $13.9 million in the quarter, up from $9.8 million a year earlier.

For the six months, supermarket sales were $1.04 billion, up from $945.8 million in the year-earlier half. The division's operating profits were up to $33.8 million, compared with $23.5 million a year ago.

Goldberg estimated that superstores would produce 60% of supermarket division volume this fiscal year.

Gains reported

Corporate results showed gains in total retail sales and net earnings in both the second quarter and six month periods.

Second-quarter sales rose to $836.4 million, up from $737 million a year ago. During that same period, net earnings turned around to $14 million, compared with a $1.2 million loss in the same quarter a year ago.

Six-month results showed similar gains. Sales rose $1.9 billion, up from $1.7 billion a year earlier. Net earnings during the half climbed to $17.9 million, up from $5.7 million in the same half a year ago.

Corporate figures have been restated for the discontinued operations of the Medi Mart Drug Store and Charles B. Perkins divisions.

More financial coverage, p. 8

Albertson's net rises

BOISE, Idaho — Albertson's reported higher net earnings and sales in the second quarter and six months ended July 31.

Sales in the quarter rose 5% to $1.34 billion, up from $1.27 billion in the same period a year ago, despite sluggishness in May and June, the company reported.

Net earnings rose a more dramatic 17% to $22.9 million, up from $19.7 million in the second quarter last year.

The food and combination store retailer managed to raise gross margins in the six months to 22.6%. The net to sales ratio also rose in the first half to 1.83%, up from 1.55% last year.

Six-month net rose 25% to $48 million, up from $38.4 million in last year's first half.

Sales in the six months were up 6% to $2.62 billion, compared with $2.48 billion in the same year-ago period.

Albertson's has opened eight new stores in the first half, including five in the second quarter. They include two 60,000-sq.-ft. combination stores in the Dallas area, raising the chain's store count in that market to nine and 446 chainwide in 17 Western and Southern States.

The chain also opened two 45,000-sq.-ft. superstores in California.

K mart and Wal-Mart report soaring sales and net earnings

The nation's two largest discount department store chains—with a combined total of about 1,600 pharmacies—reported sharply higher sales and net earnings for their respective second-quarter and six-months periods.

K mart

TROY, Mich. — which has pharmacies in about 1,100 stores or roughly half the chain, had second-quarter sales of $5.98 billion, up from $5.46 billion a year ago.

Net income rose to $118 million in the quarter ended July 30, up from $75 million in the comparable quarter a year earlier.

For the six months, sales climbed to $11.19 billion, a gain over volume in last year's first half of $10.45 billion.

Net income for the half rose to $210 million, a sharp climb over the $133 million earnings registered in the same half a year ago.

Wal-Mart

BENTONVILLE, Ark. — The country's second largest discounter, which has about 500 pharmacies spread among its 915 discount department stores, showed a 43% sales gain in the second quarter ended July 31 to $2.77 billion from $1.93 billion a year ago.

Net income was also up in the quarter by 34% to $95.9 million from $71.8 million in the comparable year-earlier quarter.

Gains were similar for the six-month period. Sales for the half rose 42% to $5.11 billion from $3.59 billion a year earlier.

Net income climbed 37% to $169.3 million, compared with $123.5 million.

		STOCK PRICE							EARNINGS/SHARE			P/E	DIVIDENDS	
		From 08/29/86 - 09/10/86								Latest 12 Months vs Preceding 12 Months Change			Indicated Dvd. Rate	
					Change		52-Week							
Name	Symbol	High	Low	Close	Amt.	Pct.	High	Low	Last Fiscal Year	Amt.	Pct.	Latest P/E Ratio	Amt.	Yield
-	-	$	$	$	$	%	$	$	$	$	%	-	$	%
Chain Store transactions														
Am Stores	ASC	62.75	58.50	59.50	-2.50	-4.03	71.25	53.13	4.11	-1.65 s	-29.2	14.9	.84	1.4
Arbor Drugs	ARBR	18.75	17.75	17.75	-1.00	-5.33	24.25	17.75	.72	.93 n	NC	19.1	.00	.0
Begley Co	BGLY	21.00	21.00	21.00	.50	2.44	23.50	15.50	1.27	-.27 q	-20.5	20.0	.72	3.4
Big B	BIGB	16.88	16.50	16.75	-.13	-.74	18.75	12.63	.61	-.03 s	-4.2	24.6	.00	.0
Drug Sys	DRGS	6.88	6.63	6.63	-.13	-1.85	8.25	3.75	-.36	-.78 q	-100.0	NE	.45	6.8
Fay's Drug	FAY	10.38	9.25	9.50	-.88	-8.43	11.75	8.00	.20	-.32 s	-72.7	79.2	.20	2.1
Genovese Drug	GDX	14.88	13.88	14.13	-.63	-4.24	16.63	9.63	.73	-.66 s	-60.0	32.1	.20	1.4
Longs Drg Strs	LDG	36.75	34.88	36.13	.75	2.12	38.75	24.75	1.74	-.20 s	-10.4	20.9	.76	2.1
Medicare Glaser	MGCO	4.75	4.25	4.75	.00	.00	5.00	3.50	-.20	-.11 q	NE	NE	.00	.0
Medicine Shoppe	MSII	31.00	30.00	30.75	.25	.82	32.00	21.00	.84	.15 n	18.8	32.4	.00	.0
Perry Drug	PDS	15.00	14.25	14.38	-.50	-3.36	20.88	12.75	.98	-.10 n	-11.0	17.7	.22	1.5
Revco Drug	RDS	36.38	35.88	36.25	-.13	-.34	39.88	24.25	1.72	.66 f	62.3	21.1	.80	2.2
Rite Aid Corp	RAD	33.50	31.88	32.38	-.88	-2.63	35.50	21.50	1.52	.09 q	5.6	19.2	.58	1.8
Walgreen Co	WAG	35.50	32.63	33.00	-2.50	-7.04	39.50	22.50	1.53	.14 n	9.2	19.8	.50	1.5
Wholesaler's transactions														
Alco Hlth	AAHS	21.88	21.13	21.13	-1.25	-5.59	25.38	12.75	1.10	.19 n	18.3	17.2	.00	.0
Bergen Bruns	BBCA	22.88	21.88	22.75	.00	.00	37.25	21.50	1.82	-.26 n	-14.4	14.7	.32	1.4
Bindley Wstn	BIND	12.13	11.75	11.75	.13	1.08	12.50	7.75	.79	.09 s	11.5	13.5	.00	.0
Cardinal Distrb	CDIC	19.50	18.75	19.25	-.50	-2.53	25.25	14.22	1.36	.40 q	40.8	13.9	.08	.4
Durr Fillauer	DUFM	13.13	12.25	12.25	-.75	-5.77	16.75	9.25	.78	-.02 s	-2.5	15.5	.16	1.3
Ketchum	KCH	24.25	22.13	24.00	1.25	5.49	24.25	14.75	.17	-.39 f	-69.6	NM	.00	.0
McKesson Cp	MCK	65.25	61.38	61.50	-3.63	-5.57	67.00	44.88	3.96	.37 q	10.1	15.2	2.56	4.2
Moore Med	MMD	26.75	24.50	24.50	-2.00	-7.55	27.25	16.00	1.45	.23 s	18.3	16.4	.00	.0
Owens & Minor	OBOD	15.38	14.75	15.13	-.63	-3.97	20.25	13.38	1.14	-.03 s	-2.8	14.4	.30	2.0
Manufacturer's transactions														
Abbott Labs	ABT	49.88	45.25	45.25	-4.38	-8.82	55.00	26.44	1.94	.32 s	17.8	21.3	.84	1.9
Am Home Prod	AHP	91.50	83.75	84.75	-6.63	-7.25	94.88	54.75	4.70	.40 s	8.8	17.2	3.10	3.7
Baxter Travenol	BAX	18.38	17.00	17.13	-.50	-2.84	21.25	12.38	.85	.43 s	238.9	28.1	.40	2.3
Block Drugs Co	BLOCA	27.50	26.25	26.25	-.88	-3.23	27.50	18.69	1.84	.15 q	8.6	13.9	.50	1.9
Bolar Pharm	BLR	26.38	24.50	24.75	-1.25	-4.81	32.88	12.00	.71	.13 s	18.6	29.8	.05	.2
Bristol-Myers	BMY	78.25	73.25	75.25	-2.75	-3.53	88.50	53.63	3.86	.24 s	6.6	19.3	2.20	2.9
Carter-Wallace	CAR	81.75	71.25	71.75	-9.50	-11.69	86.13	32.38	3.63	1.03 q	35.9	18.4	.80	1.1
Forest Labs	FRX	20.50	18.25	18.25	-2.00	-9.88	22.00	10.56	.49	.15 q	37.5	33.2	.00	.0
ICN Pharm	ICN	24.38	19.75	22.38	-1.63	-6.77	34.00	8.63	-2.10	-2.20 s	-100.0	NE	.00	.0
Lilly Eli Co	LLY	77.88	70.50	70.63	-7.38	-9.46	83.50	41.75	3.69	.39 s	11.1	18.1	1.80	2.5
Lee Pharm	LPH	31.00	25.25	27.00	-4.00	-12.90	38.63	5.63	.40	1.62 n	450.0	13.6	.00	.0
Leiner P Nutri	PLIN	18.00	17.13	17.50	.50	2.94	21.00	8.50	.81	.26 q	40.6	19.4	.00	.0
Marion Labs	MKC	43.75	35.25	38.50	-5.50	-12.50	50.00	15.63	.70	.23 f	48.9	55.0	.20	.5
Merck & Co	MRK	115.63	103.13	104.63	-11.00	-9.51	116.75	51.75	3.79	.76 s	21.7	24.6	2.20	2.1
Morton Thiokol	MTI	37.50	35.88	36.88	.38	1.03	40.50	30.00	2.80	.30 f	12.0	13.2	.70	1.9
Mylan Labs	MYL	13.88	12.63	12.88	-.38	-2.83	18.09	9.00	.57	.24 q	63.2	20.8	.07	.5
Newport Pharm	NWPH	7.00	6.38	6.88	.13	1.85	14.50	4.88	-.10	-.03 q	NE	NE	.80	11.6
Par Pharm	PARP	17.00	15.75	15.75	-1.50	-8.70	20.25	14.25	.47	.13 n	27.7	26.3	.00	.0
Pfizer Inc	PFE	68.25	61.75	62.75	-5.25	-7.72	72.88	43.75	3.44	.39 s	11.9	17.1	1.64	2.6
Robins, AH	QRAH	11.63	10.88	10.88	-.38	-3.33	15.63	6.88	2.53	20.85 s	NE	4.0	.00	.0
Rorer Group	ROR	47.50	39.50	43.25	3.13	7.79	47.50	32.50	1.72	5.00 s	240.4	6.1	1.12	2.6
Scherer RP Co	SCHC	20.25	19.00	19.38	-.63	-3.13	20.25	11.50	-1.23	-.66 q	NE	NE	.32	1.7
Scher Plough	SGP	86.13	74.75	75.00	-11.13	-12.92	88.00	45.13	3.77	.44 s	12.3	18.7	1.80	2.4
Squibb Corp	SQB	116.75	104.25	105.13	-11.13	-9.57	124.13	65.13	4.20	.86 s	22.3	22.3	2.00	1.9
Sterling Drug	STY	51.25	46.25	47.50	-3.25	-6.40	52.00	30.50	1.83	-.48 s	-19.6	24.1	1.32	2.8
Syntex Corp	SYN	71.13	60.00	61.88	-9.63	-13.46	74.75	30.56	4.65	3.31 n	160.7	11.5	1.60	2.6
Thompson Med	TM	13.75	12.50	13.50	-.13	-.92	21.00	11.75	1.18	-.44 s	-29.1	12.6	.40	3.0
Upjohn Co	UPJ	96.38	85.00	89.25	2.75	3.18	103.75	50.38	3.29	.93 s	34.4	24.6	1.52	1.7
Warner-Lambrt	WLA	60.25	56.00	56.88	-2.88	-4.81	63.13	33.75	-4.05	-6.15 s	-100.0	NE	1.56	2.7
Zenith Labs	ZEN	10.00	9.25	9.25	-.13	-1.33	18.31	8.00	.73	.42 s	135.5	12.7	.05	.5

All data are based on sources believed to be reliable, but its accuracy is not guaranteed.
Every effort will be made to correct errors, when discovered, in future issues.

FOOTNOTES

NA - Item not applicable to this type of stock.
NC - Data required for calculation currently incomplete in our files.
NE - Negative earnings invalidate calculations.
NM - No meaningful figure.

q - First quarter
s - First six months
n - First nine months
f - Fiscal year

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

Ethnic hair care's success emboldens retailers

The success of the billion dollar ethnic hair care category is encouraging drug store and mass merchandise operators to expand their ethnic presentations into other specialty categories such as ethnic cosmetics and ethnic hosiery.

At the same time, retailers are expanding their basic ethnic hair care departments into more stores where there are high levels of black traffic and are doing more advertising and in-store promotions featuring ethnic lines.

In Chicago, Walgreens is advertising ethnic brands like Donnie's, Worlds of Curls, Dark & Lovely, Care Free Curl, Posner and Gentle Treatment in its circulars and its local newsprint ads. In Detroit, Perry Drug is doing monthly in-store shade and fashion promotions in select stores with heavy black traffic.

Retailers and ethnic distributors still say that hair care is the most important vehicle for courting black shoppers, but they add that the success of the ethnic hair care category has proven to them that there is an opportunity to lure black shoppers by stocking and highlighting other specialty categories, specifically ethnic cosmetics and ethnic hosiery.

Enormous opportunity seen

Drug stores currently have an approximate 30% share of the estimated $250 million ethnic cosmetic category, and retail and distributor sources say there is an enormous opportunity to build both share and dollars in that category aggressively.

As they did in ethnic hair care, Walgreens has already taken the lead by expanding its presentation of ethnic cosmetics. Sources say the chain has added ethnic sections to its cosmetics departments in about 600 stores, 250 of them planogramed.

Perry Drug is working on a program for improving its selection of ethnic cosmetic products. Sav-On on the West Coast has gone in a year from not having any ethnic cosmetics in their cosmetics department to having planograms of various sizes in nearly 50 stores.

Revco and Eckerd are also testing black cosmetics in their cosmetics departments whenever they have the space, and sources say that both chains now have black cosmetic sections in more than 500 stores. Pathmark, Pic 'N Save and Standard Drug of Virginia are also testing ethnic cosmetic sections, while chains like Eckerd, CVS and Revco are testing ethnic hosiery.

Even more dramatically, the mass merchandisers and food chains are starting to expand into these supplemental categories.

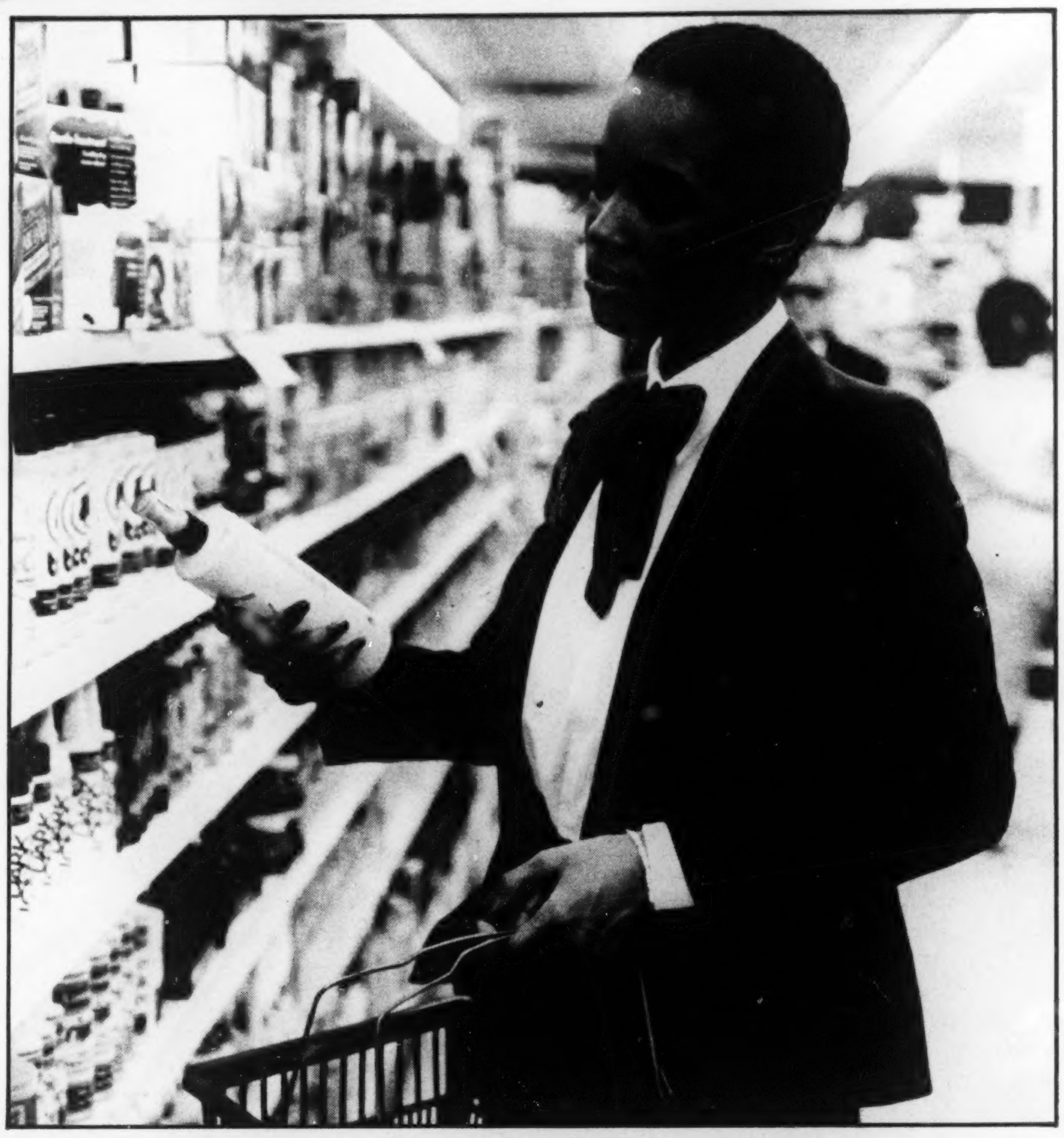
Drug stores currently have an approximate 30% share of the estimated $250 million ethnic cosmetic category, and retail and distributor sources say there is enormous opportunity to build both share and dollars. . . .

K mart launches program

K mart, the nation's largest chain of mass merchandise stores, is currently implementing its first nationwide black cosmetics program.

This fall, K mart began putting ethnic cosmetics into more than 600 of its busiest stores in ethnic markets. The sections range from 2½ ft. featuring about 60 sku's to 7½ ft. featuring about 250 sku's.

K mart is merchandising the black cosmetics section just as it does general market cosmetics. All Posner brands are going into one section of the planogram in a family presentation. All Ultra Sheen brands are going into a section, and the Zuri line is supposed to be added soon in its own family grouping.


Today's black shopper is highly mobile. She's looking for stores convenient to her job and home, and for products to help her achieve a professional look.

Right now, K mart is putting in a cosmetics section in all stores that have ethnic hair care sections of 10 ft. or more. However, sources say there are several hundred additional K marts with somewhat smaller overall ethnic departments that will also be candidates for the cosmetics program in 1987.

Using one distributor

To maintain inventory control and help identify slow-turning items, K mart is using one distributor, Standard Distributors of Detroit, to supply all but one of the lines in the section.

In turn, Standard has contracted with a series of brokers nationwide to service the K mart stores with ethnic cosmetics. The brokers will help in maintaining the department and in reordering.

In another system, each store will order through the main computer at K mart's headquarters in Troy, Mich., but that computer will direct the orders to Standard's computers, and the orders will then be shipped from Standard's warehouse.

"That way, except for their low-end line, which is being serviced from New Jersey, K mart will only have to deal with one supplier," said Standard's president, Mel Stringer.

In addition to K mart, Zayre is starting to feature ethnic cosmetics in its tabloid ads, and Wal-Mart is said to be considering reworking its ethnic cosmetic program.

In the South, Winn Dixie, a major food chain, is also testing ethnic cosmetics in some of its cosmetics departments, and distributors say they believe more food chains will be going in this direction in 1987.

Chains like Walgreens, Revco, Eckerd and Peoples are setting up displays of black cosmetics within their general market cosmetic sections. Buyers say that's where their customers expect to find cosmetics, not in the ethnic department itself.

Chains like Peoples Drug, pictured here, are beginning to give expanded space to hair styling and grooming products.

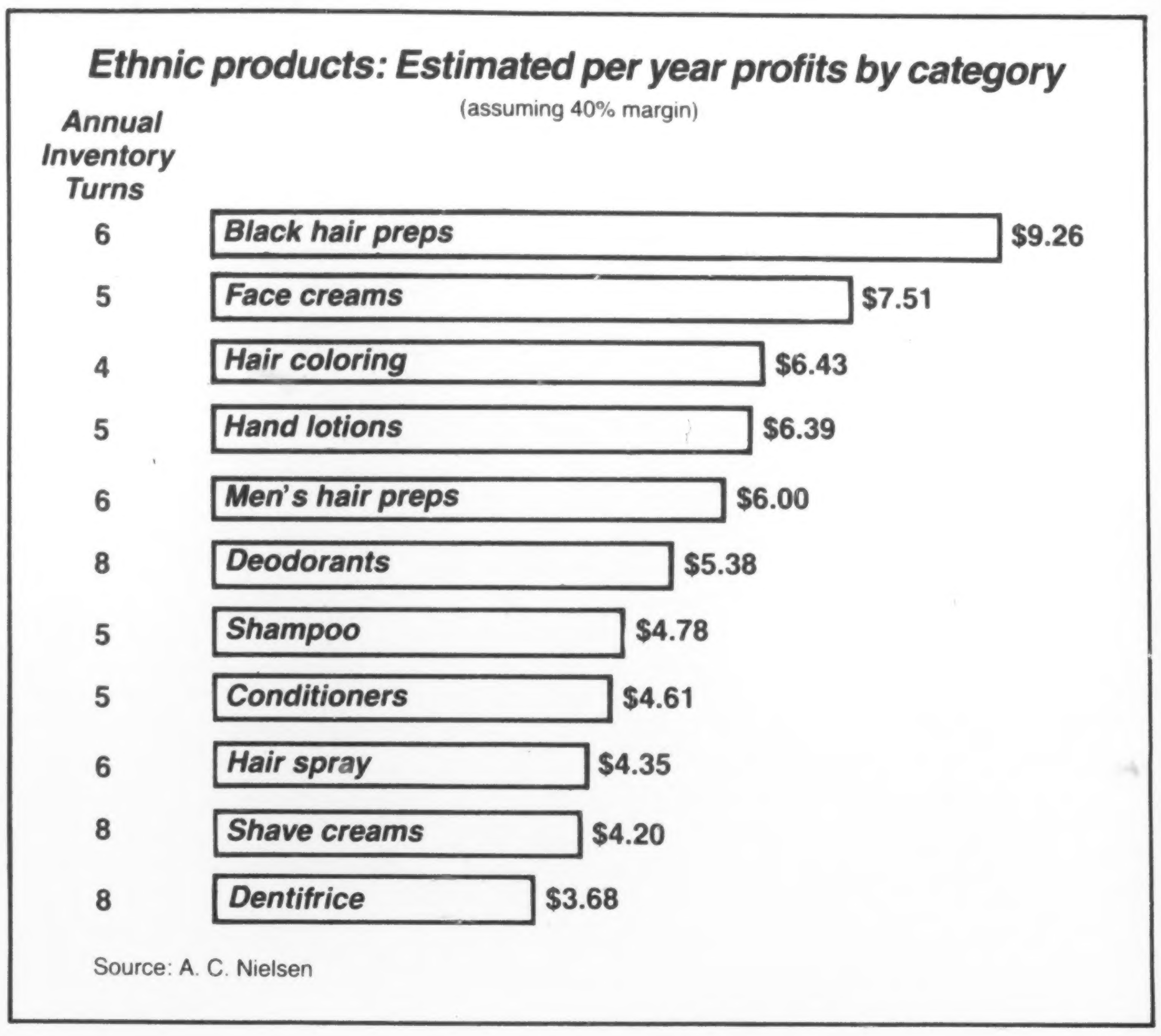
How black consumers spend their H&BA dollars
(1985 dollar volume in millions)

Category	Sales	% share of total
Hair care	$1,025	41%
Toilet preparations	575	23
Fragrances	325	13
Cosmetics	250	10
Dentifrices	200	8
Shaving preps	50	2
All others	75	3
Total	$2,500	100%

Source: Business Trends Analysts and AHBAI

Special report: Ethnic products

Drug stores aim to maintain lead in ethnic h&ba



Source: A. C. Nielsen

Drug store retailers are gearing up to maintain their dominant share of the ethnic health and beauty aids category.

According to Business Trends Analysts, black consumers will spend more than $2.5 billion on H&BA products in 1986, and about half that volume will be spent on products designed specifically for the needs of black consumers, especially hair care, cosmetics and hosiery.

The latest developments on the retail scene:

- Liverpool, N.Y.-based Fay's is planning to enlarge its selection of ethnic products from 8 ft. to as much as 24 ft., according to Fay's president Dan Herrmann.
- Thrift, Walgreens and Peoples are wooing business in ancillary areas such as skin creams and makup.
- Revco is following Osco's lead of reaching black shoppers through a very effective medium—radio. Some chains (Pathmark, for example) are increasing the use of newspaper advertising and all chains are jumping onto bonus-pack offers being put together by vendors.
- When needed, chains are creating subsections within the ethnic category instead of, or in addition to, merchandising these items in with conventional market items.
- Chains such as Eckerd and Page are integrating at least a 4-ft. section into all units, even if there is under 10% black traffic.

These are just a few of the ploys drug stores are using to keep sales afloat. Last year, sales were up 12.5% to $200.8 million in chain outlets.

Salomon Brothers reports

The bulk of sales of ethnic products designed specifically for black users is still in hair care, an estimated $190 million market, according to a 1986 Salomon Brothers report on cosmetics and toiletries.

Salomon Brothers also reports that hair care is one of the fastest growing segments in the entire hair care category. Salomon estimates sales in this segment will be up about 27% in 1986, compared with an increase of 15% in 1985.

Many drug chain retailers are still relying on rack jobbers to help them get a handle on the right products to stock in this category, but a few, such as Walgreens, have started to buy direct.

Rich Robinson, who buys ethnic products for Walgreens, reports that direct buying insures Walgreens a better in-stock ratio for all their stores that carry the minimum 4-ft. ethnic hair care departments.

SupeRx also installs anywhere from 3-ft to 48-ft. sections in its stores, and McKesson is offering its members a choice of planograms ranging from 4 ft. to 16 ft.

Deep discounters' impact

Perhaps the most dramatic moves in the category are being accomplished by the nation's 300-plus deep discount stores, said Diana Warren at Judith Lynn, a major ethnic supplier.

Deep discounters are enjoying a surge in sales because customers are finding sharp prices on "the right items," said a spokesman for Jax, a Cleveland-based deep discounter. Jax sports a giant 43-ft. section.

Added Warren, "It has gotten to the point where if a retailer isn't carrying at least a 4-ft. section, they are missing out."

But, retailers ponder, when is the section at its peak? For Fay's Drug, the answer came as a surprise.

Fay's acquired a Genovese Drug store with a 24-ft. section, substantially larger than the 8-ft. Fay's stocks. "But we found our sales were much better in the bigger department, and we'll probably add to many of our stores," said Herrmann.

But bigger departments do not mean larger space for curl kits. Instead, there has been a shift toward stocking more sku's of "super" and "extra" formulas for coarser hair, from such manufacturers as Dark & Lovely, Lustre Curl and Pro-Line, said Chris Hayman, buyer for Standard Drugs in Richmond, Va.

Relax'n Roll
Hair Clinic
Posner

Both retailers and manufacturers say that product demonstrations in a store setting really help to boost sales of ethnic skin and hair care items. Here Posner Labs does a demonstration on its new Relax 'n Roll in a Newark, N.J., Woolworth.

Maintenance items hot

For many, the curl kit sku's are just sitting on the shelves. However, curl maintenance items are still hot, Hayman added. Because of that, Hayman is shifting more of his dollars into maintenance items and especially into gels in his 4-ft. to 24-ft. sections.

Kent Humphreys of Jack's Service, an Oklahoma-based distributor, agrees. "The gels are coming, and they are the hottest items around. People like gels."

Relaxers are also holding on, said Humphreys. Relaxers from Vigorol and Carson were selected by retailers as being particularly strong. Bonus packs of relaxers are flying out of the stores because they represent value, buyers say.

These are all hair care items retailers hope will pick up the slack left by the weakening of curl kits. But many are not relying on hair items alone. Instead, they are moving aggressively into other areas such as cosmetics and skin creams, where margins still hover around 40%.

"We've gone after the cosmetics business with 66 of our stores having a full ethnic cosmetics program," said Judy Wincze, buyer for Peoples.

Based on Peoples' overwhelming success with black hair care, the chain decided to charge full steam into cosmetics two years ago. Caucasian sku's were cut in some stores to clear space for a mix including Honey 'n Spice, Zuri and Posner and Ultra Sheen. The stores still give over 2 ft.-8 ft. to ethnic cosmetics. Undaunted by initial problems, Wincze is determined to put a spark in the business.

Need for specific products

Industry experts tend to agree there is a need for specific skin care products. Thus, Thrift Drug will try out a new line, Venus Di Milo, for the U.S. market. Venus Di Milo executives hope to build off the strong following the brand already has in Africa to generate interest in this country.

Chains such as Walgreens have found skin care moves faster when merchandised with nonethnic items. But a new thinking is emerging, said Warren of Judith Lynn. "People are finding that a large ethnic department can accommodate a subsection of skin care or hair color."

Hair coloring is another area receiving greater attention on the nation's retail shelves. Propelled by new offerings such as Carson Products' new colors, Clairol's Color Play and Soft Sheen's Color Accents, hair coloring is expected to reap the highest sales gains of any category in the department in 1986.

But competitors are already nipping at the drug chains' heels, especially in the hair color arena.

Gemco, a Buena Vista, Calif.-based discounter, for example, is reaping huge sales increases in color. "Our hair business is tripling—even quadrupling," said buyer Doug Havey.

Chains including Zayre, Howard Brothers, Wal-Mart and K mart have already installed hair color planograms as part of efforts to lure black shoppers.

Narrowing the gap

Supermarkets as well as discounters are working feverishly to narrow the gap in sales. Food units have grabbed 28% of the business by serving up well-stocked departments such as the 8-ft. section found in one northern New Jersey Pathmark.

But discounters, who now garner 18% of dollar sales, are making the greatest strides, say suppliers. These aggressive stores are beating drug chains in space allocations. Zayre, for example, has some departments as large as 50 ft.

These stores are promoting the category, too. Zayre recently took part in Black History Month and sent out brochures to stores with details about endcaps and displays to be set up in the stores. Zayre sent merchandise to all of its stores so it could cover a national ad touting ethnic goods. Jamesway and Target are both using endcap space to prove to black shoppers that they can find the right items under their roofs.

Concluded one discount store buyer, "We like the margins, and we're not afraid to go after this business in a big way."

Chains kick off black cosmetic depts.; manufacturers play up brand promos

In 1986, total sales of cosmetics made specifically for dark-skinned consumers should increase approximately 15% to about $250 million.

According to manufacturers who track the category, some of the most dramatic growth will come from sales to mass market retail outlets: drug, mass merchandise, food and variety stores and barber and beauty shops.

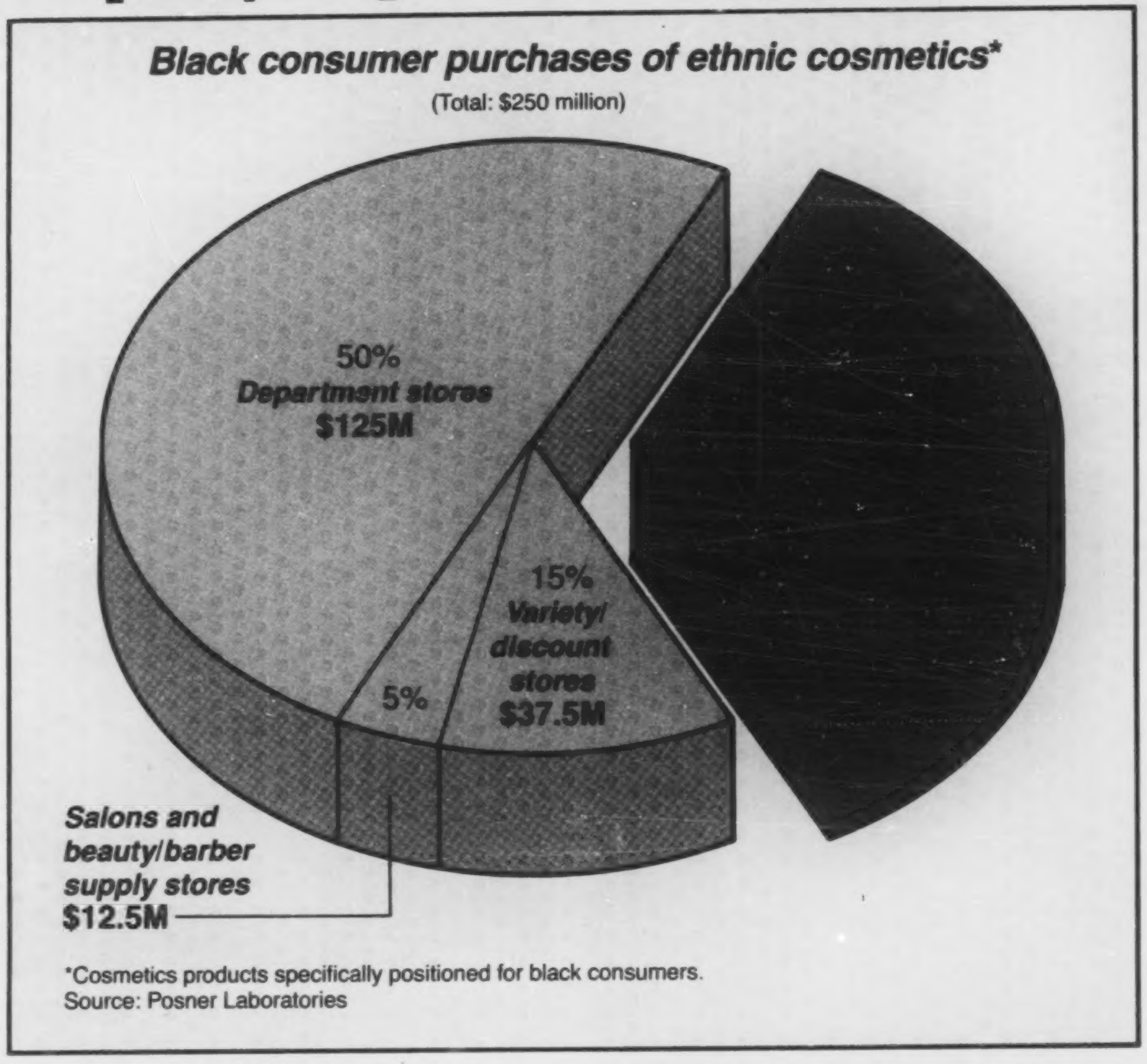
Today, mass market stores have about a 50% share of the total black cosmetics business, but in 1986, mass market retailers like K mart, Walgreens and Perry Drug began to increase their penetration into this category segment, while manufacturers of the mass market cosmetics began to increase promotional activities.

The result is that the three major mass market manufacturers of black cosmetics, Posner, Ultra Sheen and Zuri, are beginning to increase their brand awareness among their targeted consumers. Mass market stores are beginning to see shoppers requesting the Posner line of lip and nail shades or the Ultra Sheen pressed powders or the Zuri foundation creams.

Today, many mass market chains are featuring black cosmetics in the pegged sections of their cosmetic departments instead of restricting them to a limited selection inside their overall ethnic hair care departments.

Ads spur demand

More chains are working with the manufacturers to bring in more counter displays and promotional prepacks. They're also working together on more advertised fashion promotions.



*Cosmetics products specifically positioned for black consumers.
Source: Posner Laboratories

Fashion editors say that today's black woman is searching for a "pretty, clear, easy look." They see the trend as toward a more natural, "this is me" look.
Photo courtesy of Grey Kent

Fashion Fair, owned by Johnson Publishing in Chicago, started the trend by proving that there is a demand for black cosmetics. Their ads, which run every issue in Johnson's *Ebony* and *Jet* magazines, have sparked a demand for black cosmetics that is spilling over into the mass market retail outlets.

"Fashion Fair and Flori Roberts are primarily available in department stores," said Mel Stringer, president of Standard Distributors in Detroit. "Department stores just aren't that convenient for many black shoppers.

"As a result, the drug store operators and the K marts are getting hundreds of requests for these brands, and they can't supply them. But Posner, Ultra Sheen, Zuri, they're all doing consumer advertising now, and they're all expanding their lines and adding new shades. They've all got quality products at good prices, and all that is making them grow in demand with consumers."

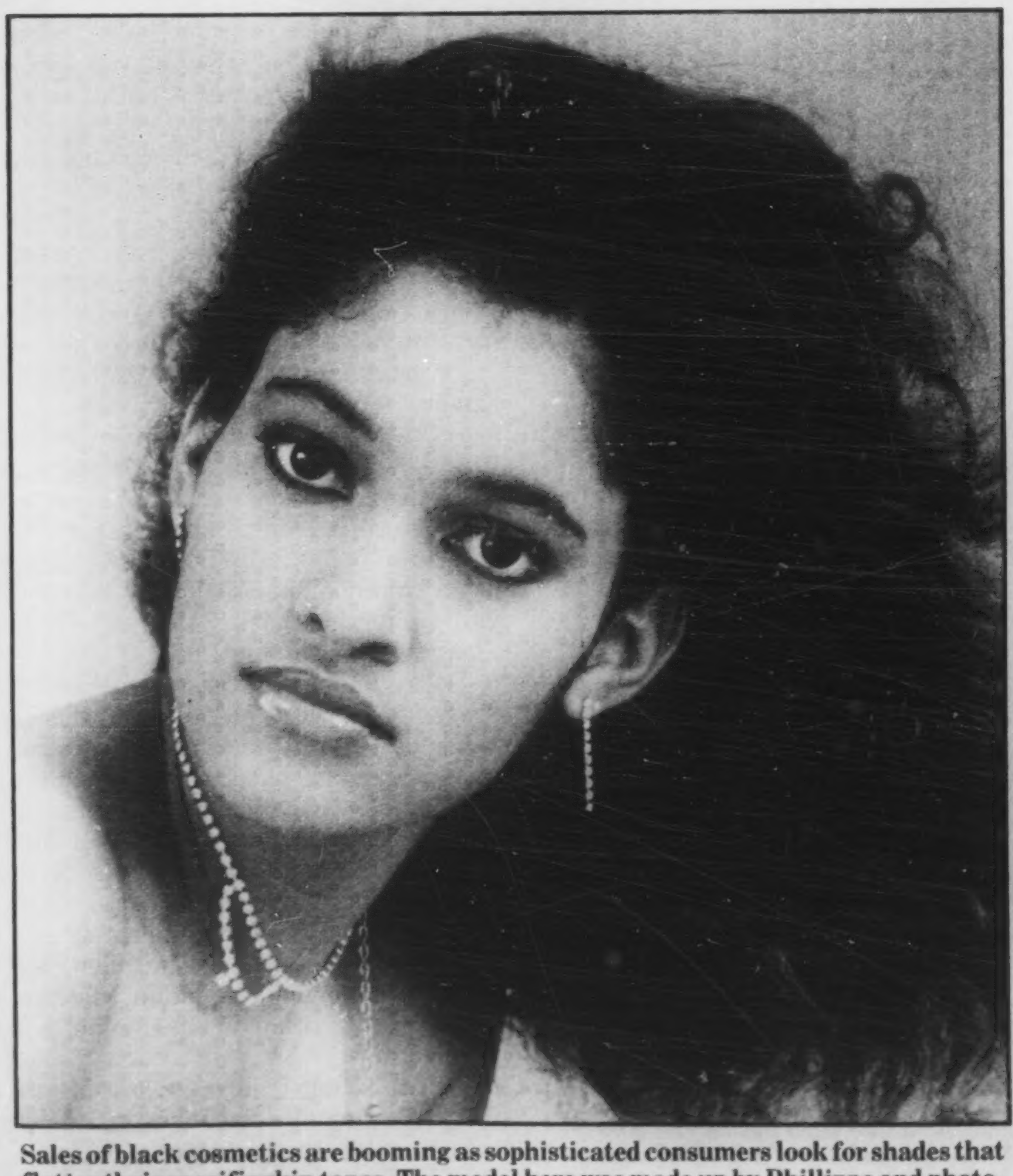
For the past two to three years, Posner, Zuri and Ultra Sheen have also been running ads in the major black consumer publications like *Ebony* and *Essence*.

Shades promoted

In addition, Posner and Ultra Sheen are now doing shade and fashion promotions just as the general market cosmetic manufacturers do.

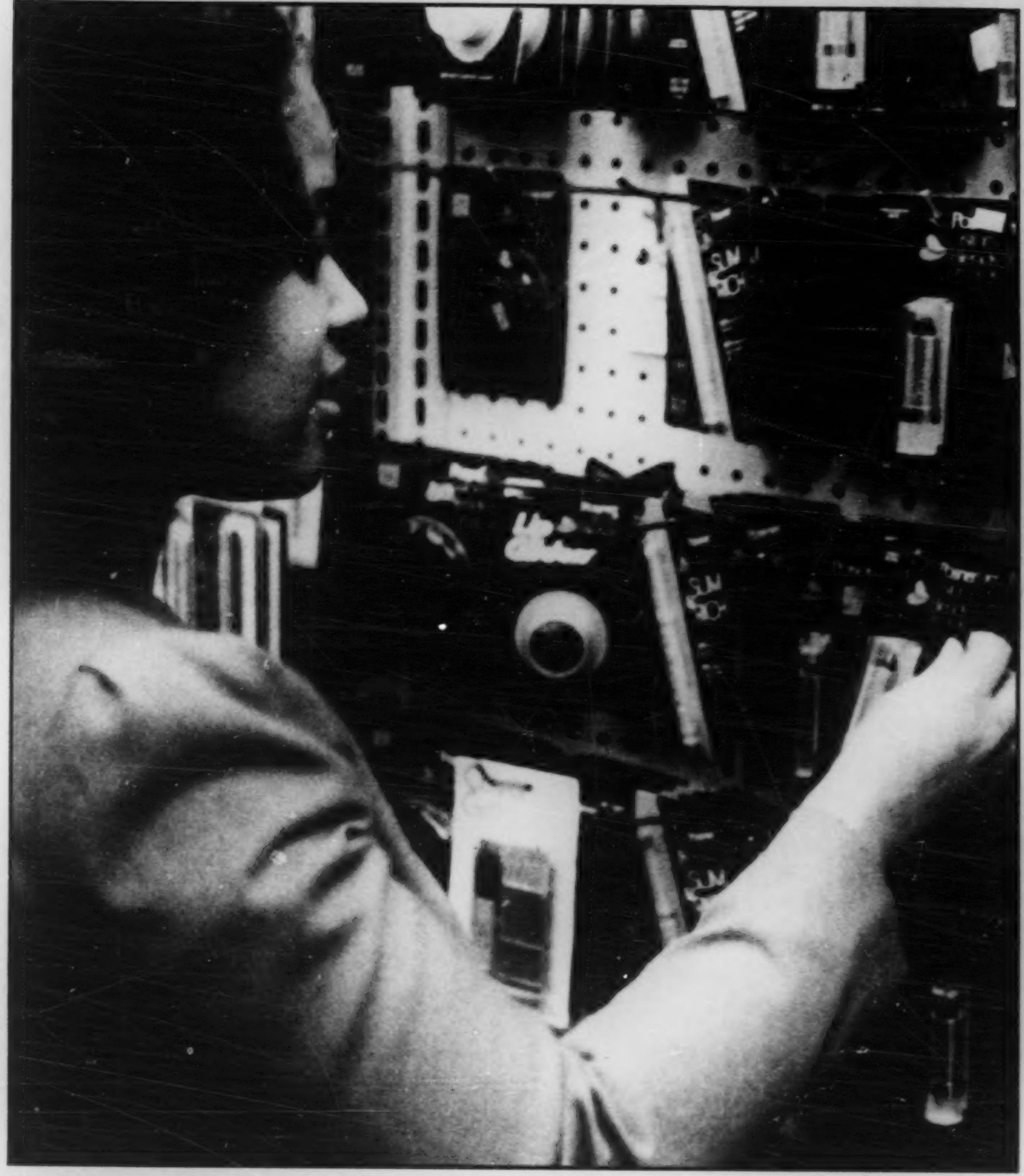
Last year, Walgreens ran full-page ads in local Chicago newspapers featuring Posner's fall Fire Fox color promotion. Sell-throughs, sources say, were exceptionally good. Posner's president, Betty Jarrett, reports there were virtually no returns on the Fire Fox prepacks. "Normally," she

Continued on page 38



Sales of black cosmetics are booming as sophisticated consumers look for shades that flatter their specific skin tones. The model here was made up by Phillippe and photographed by Norman Thomas.
Photo courtesy of *Sophisticate's* Black Hair

Retailers say a black hair care clinic or a makeup demonstration generates more sales activity than any other promotions. Clinics are usually sponsored by the manufacturer and promoted both on radio and in local newspaper ads.



Black women tend to spend for a poised and professional look.

Black women are searching for foundations and powders that are right for their specific skin tones. They are also eager to find treatment products that will keep their skin healthy and youthful looking.

Photo courtesy of Richard Allen

Colors splash and glitter in ethnic cosmetic ads

Continued from page 37

said, "I would have expected at least a 10% return, but Fire Fox was a total success."

This September, Posner broke a similar fashion promotion, Wild Huntress, featuring six fall/winter shades for lip and nail.

Posner is advertising the Wild Huntress line in magazines like *Essence*, and the same photo that appears in the magazine ads will also appear as the header card on the prepacks that have been shipped into the stores.

In the spring of 1987, Posner will do Hot 'n' Cool promotion. Posner says this fashion statement reflects what's happening with rock stars. In this promotion, Posner matches warm colors like burnt orange and blackberry or raspberry shades for lips with light, cool colors like champagne and silver moon for nails.

Creating consumer interest

Zuri, owned by J. Strickland Co., started doing institutional advertising in 1984. Last year, they played up to the black business woman with a fashion campaign called Designs in Ambition. This year, they're doing a fashion theme called Legacy of Beauty.

Their ads break each spring and run at least once a month through the rest of the year in at least one of the major black magazines. At key times like holidays or peak fall and spring months, they run ads in several magazines simultaneously.

Like Posner, Zuri will also do in-store demonstrations. Both companies will also put on seminars to help educate store personnel about black cosmetics.

Ultra Sheen began doing shade and gift promotions back in 1984 and will do four this year and in 1987.

Ultra Sheen's Christmas promotion is called Precious Metallics. Prepacks will feature glittery party colors for lips and nails, plus a bronze all-over body blush with glitter highlights.

The header on the prepack will feature a gold handbag against a black background with golden, glittery lipsticks and nail polishes spilling out.

Precious Metallics will be followed in 1987 with a spring promotion, a fashion promotion and holiday shade and gift promotions.

Ultra Sheen is also advertising its foundation and color lines in major magazines such as *Essence* and *Ebony*.

The new ads play up Ultra Sheen's expanded shades for its lip, nail and eye collections.

Guide to cosmetics for the black consumer

Category		
Lipstick	*Uneven liptone/discoloration*	Ethnic lipsticks are formulated with more pigment to provide better and denser coverage on lips. Only pigments which are "color true" can be used, unlike general market lipsticks which can turn ashy (gray) on lips.
	Susceptible to chapped lips	Moisturizing and protection is of increased concern to the ethnic market. Lipsticks are formulated with increased emolliency to counteract the problems.
	Shade range	The ethnic market has a preference for darker shades which are more flattering, such as deep plums, reds, wines and dark browns.
Liquid makeup	*Wider skin shade range*	There are an estimated 32 shades of black skin (vs. 12 shades of white skin). The black woman needs a wider variety of liquid makeup shades to choose from.
	Skin undertones	White skin is determined by the degree of pinkness in the undertone, while black skin is determined by the degree of yellow, blue, red and black undertones. Because of the greater variety of undertones, black skin reacts differently to shades than does white skin. A shade that remains true on white skin, may turn ashy or orange on black skin. Liquid makeup is only effective for the ethnic segment if it is formulated with pigments compatible with black skin undertones. For example, superior ethnic cosmetics make judicious use of titanium dioxide—a major ingredient in general market cosmetics—which can produce an unattractive ashy effect on black skin.
Pressed powder	*Wider skin shade range*	Face powder shows up more dramatically on dark skin than on light skin, ethnic powder effects must be more sheer. Heavier general market powders may produce a cakey, orange effect. In addition, ethnic powders are formulated with less oil to be more acceptable to black consumers.
Eyeshadow	*Concern for long lasting wear*	Black skin may be slightly oilier around the eye area than white skin. Ethnic eyeshadow is formulated with less oil to prolong wear.
	Shade preferences	The ethnic market prefers opaque earth tones which are compatible with darker skin.
Mascara	*Shorter, more coarse eyelashes*	Ethnic mascara is formulated to thicken and build short, coarse lashes, unlike general market products which may concentrate on smudge-resistance or waterproof claims.

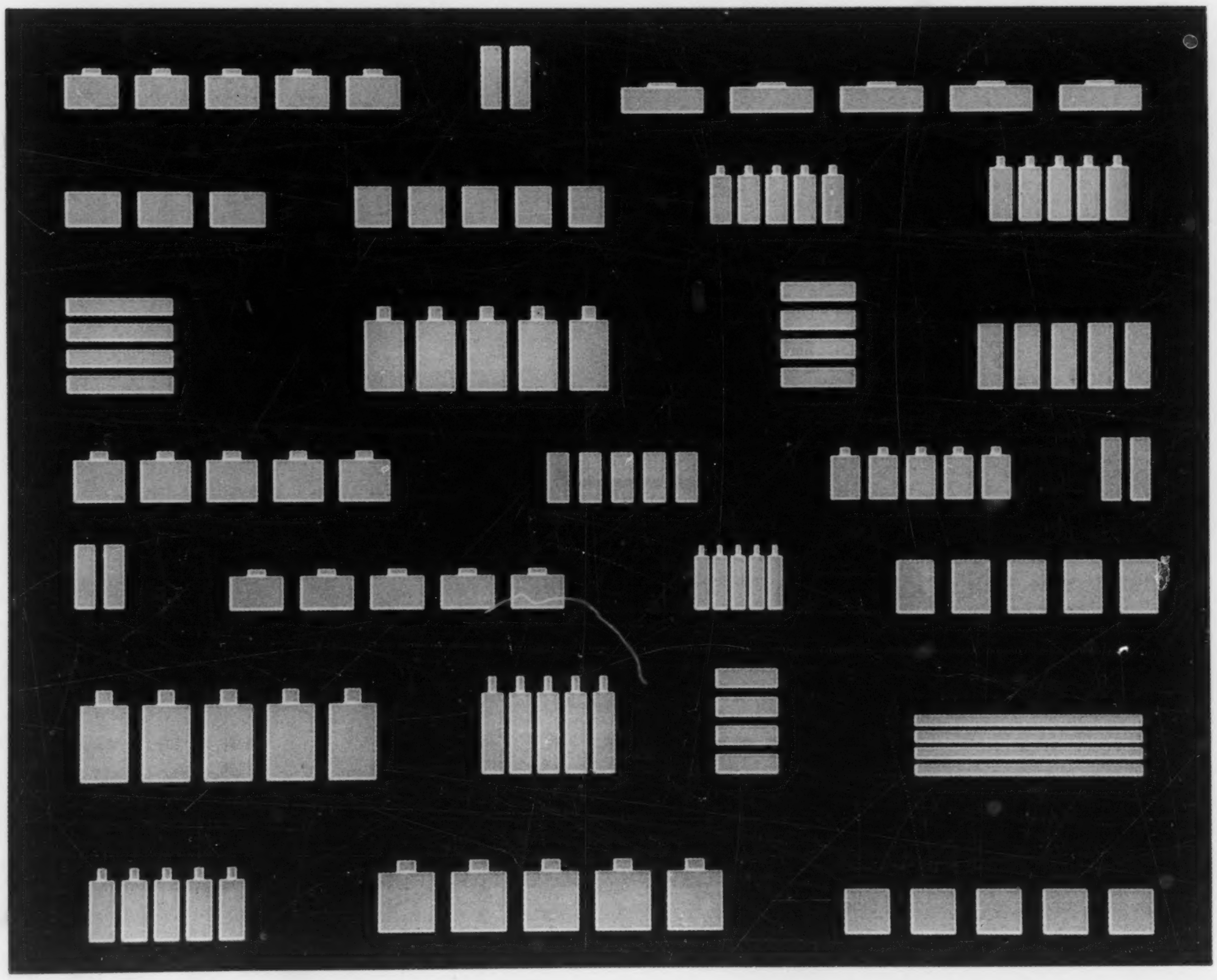
Source: Posner Laboratories Inc.

Nation's top 100 drug store markets

Rank	Area	Drug store sales (000)	Total retail sales (000)	Effective buying income (000)	Households (000)	Population (000)
1	**Chicago**	$ 1,782,885	$35,627,510	$81,641,854	2,238.0	6,127.1
2	**Los Angeles Long Beach**	1,710,931	50,985,808	103,058,676	2,963.5	8,091.4
3	**New York**	1,437,093	41,389,635	108,623,082	3,349.7	8,431.8
4	**Detroit**	1,309,267	26,266,849	54,066,452	1,581.6	4,361.0
5	**Philadelphia**	951,167	28,393,700	59,290,349	1,756.2	4,807.8
6	**Boston Lawrence Salem Lowell Brockton**	919,625	27,703,685	53,598,409	1,373.2	3,703.1
7	**Washington**	899,702	25,219,988	56,708,739	1,291.8	3,492.5
8	**Houston**	616,406	25,219,988	42,698,869	1,168.8	3,211.0
9	**Cleveland**	595,740	12,133,621	22,986,935	715.2	1,873.4
10	**Nassau Suffolk**	555,344	19,423,148	42,362,957	873.6	2,701.0
11	**Miami Hialeah**	552,013	12,875,757	20,317,285	665.3	1,771.6
12	**Atlanta**	507,443	17,418,814	31,304,372	902.7	2,460.7
13	**Oakland**	497,799	12,671,975	28,345,176	736.1	1,903.2
14	**Baltimore**	489,890	13,681,848	27,124,595	827.9	2,291.9
15	**Phoenix**	489,256	11,710,860	21,989,680	719.1	1,841.1
16	**Anaheim Santa Ana**	454,459	15,353,829	31,573,345	755.0	2,214.0
17	**San Francisco**	434,680	13,680,421	26,444,917	655.6	1,556.0
18	**St. Louis**	424,269	15,395,910	29,752,563	873.7	2,416.7
19	**San Diego**	408,337	13,191,301	28,842,528	786.5	2,140.9
20	**Dallas**	400,276	16,361,030	31,808,658	858.1	2,296.0
21	**Minneapolis St. Paul**	395,895	16,197,101	31,738,802	843.6	2,254.5
22	**Seattle**	391,765	11,402,950	24,534,691	686.2	1,719.7
23	**Pittsburgh**	383,362	11,695,825	25,343,955	846.2	2,180.6
24	**San Jose**	368,773	10,047,766	21,436,862	488.2	1,393.3
25	**Tampa St. Petersburg Clearwater**	361,517	11,518,721	21,929,640	786.6	1,870.0
26	**Cincinnati**	345,848	8,521,003	16,733,802	521.8	1,405.7
27	**Sacramento**	344,829	8,088,460	16,056,007	493.2	1,266.4
28	**Indianapolis**	343,870	8,092,281	14,447,461	443.7	1,208.6
29	**New Orleans**	342,449	7,890,826	14,250,176	493.6	1,348.7
30	**Newark**	339,140	11,219,194	27,973,971	676.9	1,880.9
31	**Riverside San Bernardino**	330,071	10,331,501	21,934,257	685.1	1,896.4
32	**Honolulu**	307,406	5,017,488	10,194,917	256.4	828.2
33	**Kansas City**	295,513	10,495,141	19,831,816	561.3	1,497.5
34	**Bergen Passaic**	294,094	10,080,540	20,712,344	476.7	1,293.4
35	**Fort Lauderdale Hollywood Pompano Beach**	291,460	8,663,577	16,237,183	492.0	1,159.1
36	**Milwaukee**	264,809	7,840,190	17,626,161	527.7	1,401.0
37	**Denver**	257,994	11,463,764	22,874,225	656.8	1,635.1
38	**Columbus, Ohio**	254,329	8,071,989	15,097,445	488.9	1,288.9
39	**Hartford New Britain Middletown Bristol**	252,267	7,439,951	15,535,093	394.1	1,075.4
40	**Buffalo**	246,360	5,140,729	11,142,465	361.0	982.7
41	**Louisville**	238,182	5,580,056	10,789,342	356.2	971.0
42	**Memphis**	228,534	6,100,527	9,455,527	332.1	932.8
43	**Rochester, NY**	227,471	5,556,505	12,983,066	366.1	1,001.1
44	**Providence Pawtucket**	212,531	5,079,236	10,563,394	323.2	885.2
45	**Charlotte Gastonia Rock Hill**	199,331	6,611,375	11,727,909	387.6	1,049.0
46	**West Palm Beach, Boca Raton, Delray Beach**	195,774	5,436,353	10,851,533	311.9	730.5
47	**Richmond Petersburg**	195,732	5,170,421	9,784,698	289.9	813.0
48	**Gary Hammond**	194,316	3,683,978	6,627,958	219.4	643.1
49	**Norfolk Virginia Beach Newport News**	192,012	7,359,139	14,159,756	432.1	1,288.4
50	**Toledo**	190,896	4,436,876	7,242,616	229.7	617.9
51	**Albany Schenectady Troy**	180,653	4,997,866	10,529,873	320.8	861.3
52	**Birmingham**	178,597	4,491,199	9,316,427	346.4	922.1
53	**Jacksonville, Fla.**	175,226	4,799,099	9,111,850	308.5	817.6
54	**Fort Worth Arlington**	174,774	7,687,309	15,100,721	431.7	1,175.5
55	**Greensboro Winston Salem High Point**	174,563	5,478,379	10,205,304	341.8	902.1
56	**Nashville**	171,147	5,686,318	10,564,098	336.8	910.7
57	**Dayton Springfield**	169,381	5,393,776	11,157,848	353.2	927.5
58	**Middlesex Somerset Hunterdon**	164,983	6,411,582	14,317,913	326.5	934.3
59	**Monmouth Ocean**	161,636	5,996,481	13,875,891	354.1	946.2
60	**Las Vegas**	157,995	4,102,066	6,590,562	223.6	554.2
61	**Syracuse**	155,774	3,536,188	8,023,609	237.4	663.5
62	**Fresno**	151,982	3,071,465	6,632,413	207.2	578.8
63	**Bridgeport Stamford Norwalk Danbury**	149,677	6,593,688	14,839,344	292.5	802.2
64	**Scranton Wilkes Barre**	149,649	3,711,056	7,326,080	279.0	735.6
65	**Raleigh Durham**	148,362	3,973,862	7,749,780	238.3	632.9
66	**Worcester Fitchburg Leominster**	147,949	3,905,423	8,313,188	241.8	662.9
67	**Orlando**	144,616	6,112,833	9,981,357	324.8	864.1
68	**Tucson**	142,922	3,305,023	6,595,885	253.0	634.6
69	**Oklahoma City**	140,501	7,497,305	11,736,769	377.7	984.4
70	**Akron**	136,851	3,676,403	7,398,194	241.4	648.4
71	**New Haven Waterbury Meriden**	135,895	4,949,886	11,002,198	284.9	773.5
72	**Salt Lake City Ogden**	129,412	5,178,783	10,035,151	336.3	1,044.2
73	**Springfield, Mass.**	126,836	3,785,230	6,637,123	213.3	586.1
74	**Knoxville**	124,265	4,163,316	6,097,300	229.9	599.0
75	**Lake County, Ill.**	120,858	2,875,529	7,232,102	156.6	472.6
76	**San Antonio**	120,117	6,723,486	12,546,804	406.4	1,209.2
77	**Flint**	117,678	2,775,821	4,802,031	158.5	440.0
78	**Omaha**	114,369	3,837,235	8,129,004	228.3	612.4
79	**Harrisburg Lebanon Carlisle**	114,002	3,805,955	6,991,737	220.7	578.8
80	**Oxnard Ventura**	113,259	3,229,516	8,157,543	200.5	609.0
81	**Mobile**	112,746	2,524,239	4,691,504	170.1	473.8
82	**Portland, Ore.**	111,177	7,441,991	13,932,168	450.8	1,149.3
83	**Melbourne Titusville Palm Bay**	109,504	1,991,127	3,849,764	138.7	344.9
84	**Wilmington, Del.**	108,958	3,456,960	7,074,002	192.6	542.1
85	**Allentown Bethlehem**	108,680	3,798,938	7,973,465	249.9	656.8
86	**Greenville Spartanburg**	108,339	3,454,645	5,850,765	226.1	609.1
87	**Santa Rosa Petaluma**	102,012	2,004,455	4,749,039	134.5	340.4
88	**Youngstown Warren**	101,761	2,786,870	5,812,759	190.4	516.2
89	**Stockton**	101,380	2,142,068	4,524,739	149.9	406.9
90	**Santa Barbara Santa Maria Lompoc**	100,189	2,780,868	4,620,091	124.7	330.6
91	**Vallejo Fairfield Napa**	99,462	1,977,710	4,806,271	135.7	381.4
92	**Grand Rapids**	97,265	3,979,479	7,788,549	226.2	633.1
93	**Anchorage**	96,626	2,596,640	3,792,676	87.4	237.1
94	**New Bedford Fall Fiver Attleboro**	92,906	3,399,546	5,321,074	179.5	492.9
95	**Baton Rouge**	92,454	3,150,863	5,902,844	191.5	554.1
96	**Bakersfield**	90,703	2,676,721	5,465,373	169.5	475.8
97	**Jersey City**	88,276	2,605,408	6,149,669	212.7	552.9
98	**Modesto**	87,652	1,700,566	3,193,520	107.7	306.1
99	**Fort Wayne**	86,226	2,110,924	3,989,568	128.5	357.3
100	**Aurora Elgin**	86,078	1,686,566	4,516,473	121.9	349.2
	Total	30,279,345				

Source: Sales and Marketing Management, 1986 Survey of Buying Power Part I, July 28, 1986 issue.

1986
NIELSEN REVIEW OF RETAIL DRUG STORE TRENDS



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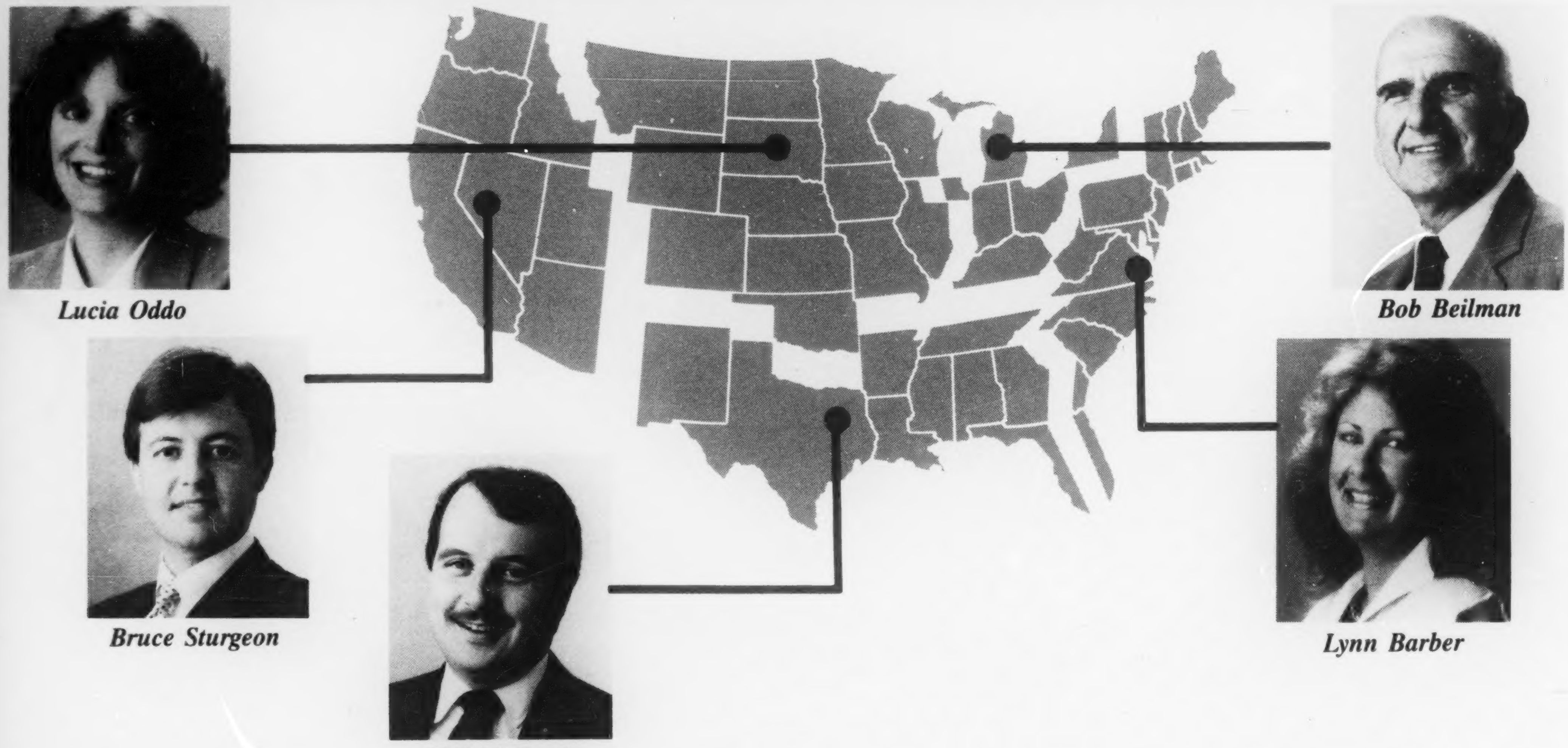
DRUG STORE NEWS®

NOW WITH TWO OFFICES TO BETTER SERVE THE RETAIL COMMUNITY

Responding to the rapidly changing data needs of today's retailers and wholesalers, Nielsen Marketing Research has been expanding the capabilities of its Trade Services Department. A priority objective of this department is to develop services for the trade that combine pertinent Nielsen information with support from staff professionals. The servicing group is composed of executives with experience in HBA retailing, packaged goods sales, Nielsen client service, new product testing and management information system sales and service.

We would like to introduce you to our service executives.



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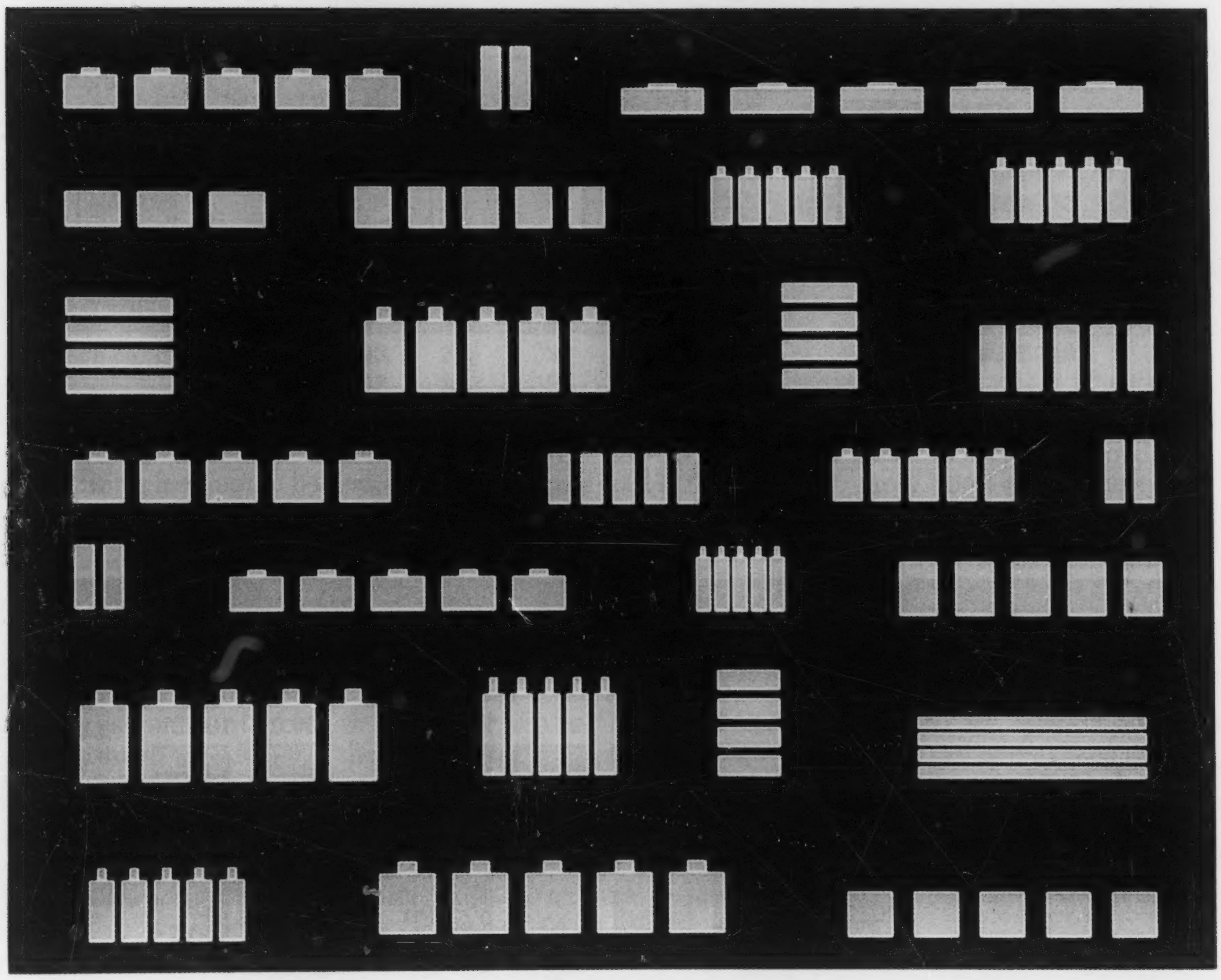
INTRODUCTION

1986 Nielsen Review of Retail Drug Store Trends



Retail drug store sales increased 9% in 1985 and have grown at the rate of 7% during the first half of 1986.

The information compiled by Nielsen Marketing Research and presented in this publication also shows that:

- Total U.S. retail sales "real" growth is getting a boost as consumer income is increasing and price inflation is moderating.
- Drug chain sales growth (+7%) has slowed somewhat in 1986 while independent growth (+7%) has maintained its steady rate of increase.
- HBA sales on both a dollar and unit basis have been picking up, particularly in food and drug outlets.
- There is evidence of drug store HBA inventory adjustment within the remedial categories as the effects of early 1986 product tampering are felt in the distribution system.

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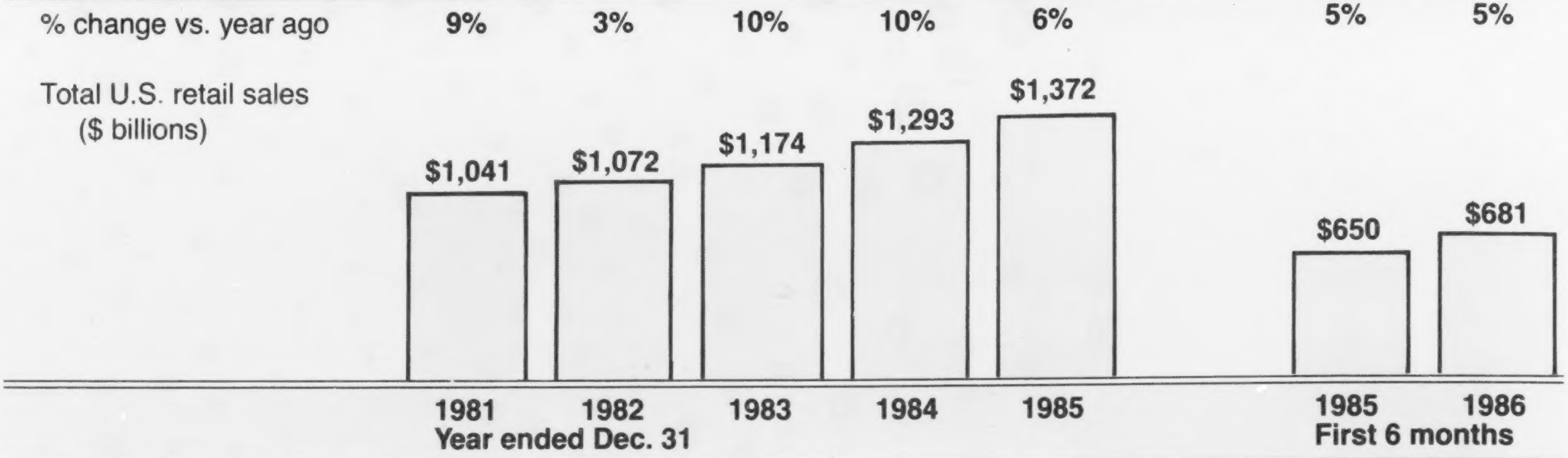
Nielsen Marketing Research would like to thank the staff of *Drug Store News* for their advice in assembling this review and including it in their Sept. 29, 1986 issue.

Chapter I: The Economic Environment

U.S. Retail Sales — Chart 1

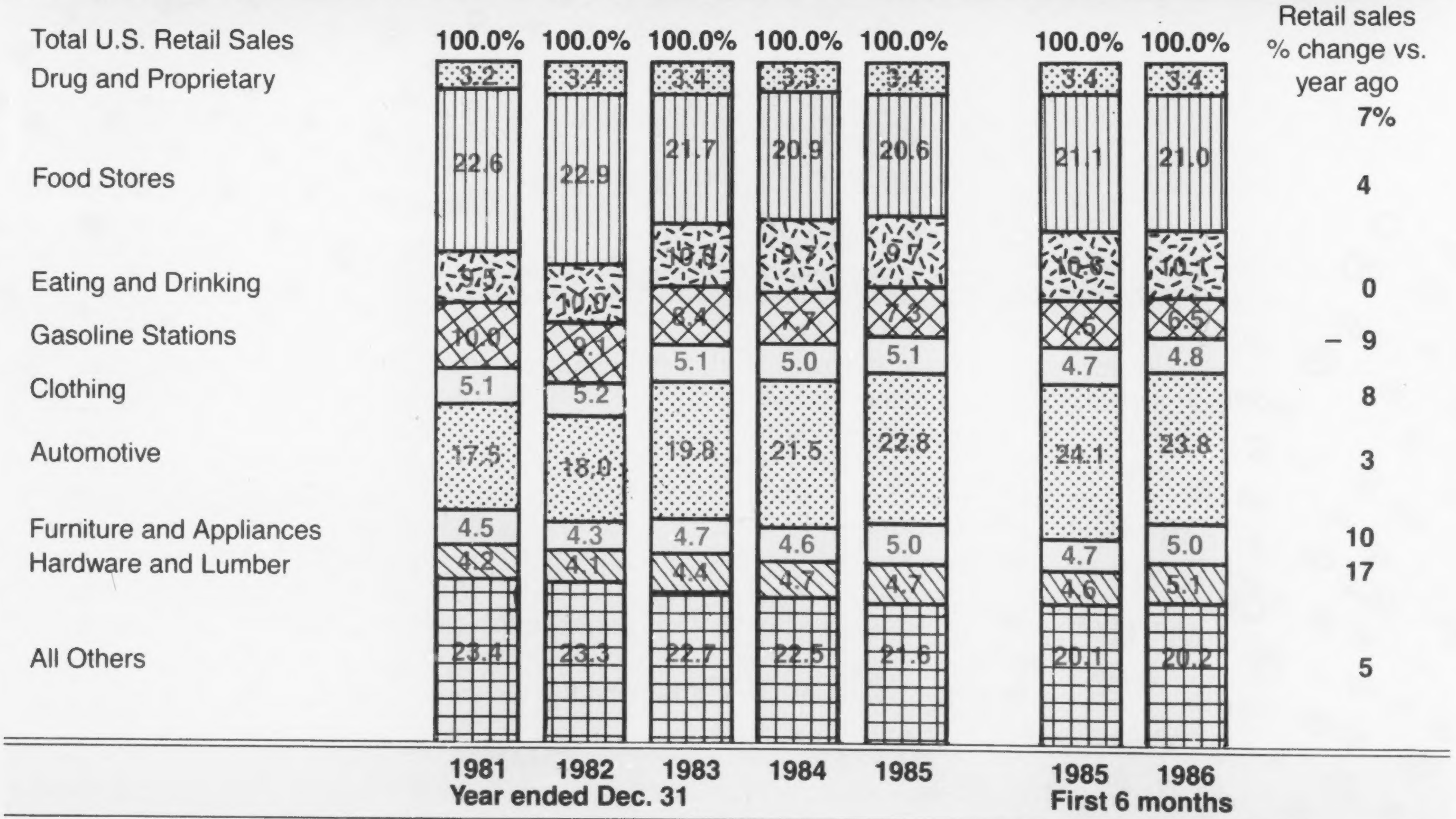


Source: Bureau of The Census (Revised 1985)

Total U.S. retail sales approached the $1.4 trillion dollar mark in 1985, a 6% gain over the previous year. During the first six months of 1986, sales have been growing at a 5% rate.

The rate of "real" growth during the first half of 1986 has increased to 3%. Continued growth of disposable income along with a moderation in consumer price inflation, slowing to almost a standstill at 2%, have helped to fuel real growth in the retail sector.

Division of U.S. Retail Sales — Chart 2



Source: Bureau of The Census (Revised 1985)

Drug stores accounted for 3.4% of Total U.S. retail sales both in 1985 and in the first half of 1986.

Durable goods sales, particularly hardware and lumber (+17%) and furniture and appliances (+10%) are the fastest growing retail areas. Consumer spending in these retail segments is being stimulated by growth in the new housing and construction markets.

Gasoline station spending has dropped 9% during the first half of 1986 as decreased oil prices were passed on to the consumer.

Consumer Price Index*

Chart 3

	1981	1982	1983	1984	1985	1986 First 6 months	% Change First 6 months 1986 vs. 1985
% change vs. year ago	10%	6%	3%	4%	4%		
Total all items	272	289	298	311	322	327	2%
Medical care	295	329	357	379	403	418	5
Prescription drugs	173	193	214	234	257	273	9
Over-the-counter drugs	211	234	252	267	282	293	5
Physicians services	299	327	352	377	399	420	7
Dental services	263	284	303	327	348	362	6
Hospital room	481	557	620	671	710	741	5
Personal care	232	250	261	271	282	290	4
Food-at-home	270	279	282	293	297	302	2
Food-away-from-home	291	307	320	333	347	340	−1
Housing	293	315	323	337	350	358	4
Clothing	187	192	196	200	206	206	1
Transportation	280	292	298	312	320	312	−2
Entertainment	221	236	246	255	265	272	4

1981–1985: Year ended Dec. 31

*All Urban Consumers, Annual Average, Base year 1967 = 100

Source: U.S. Department of Labor

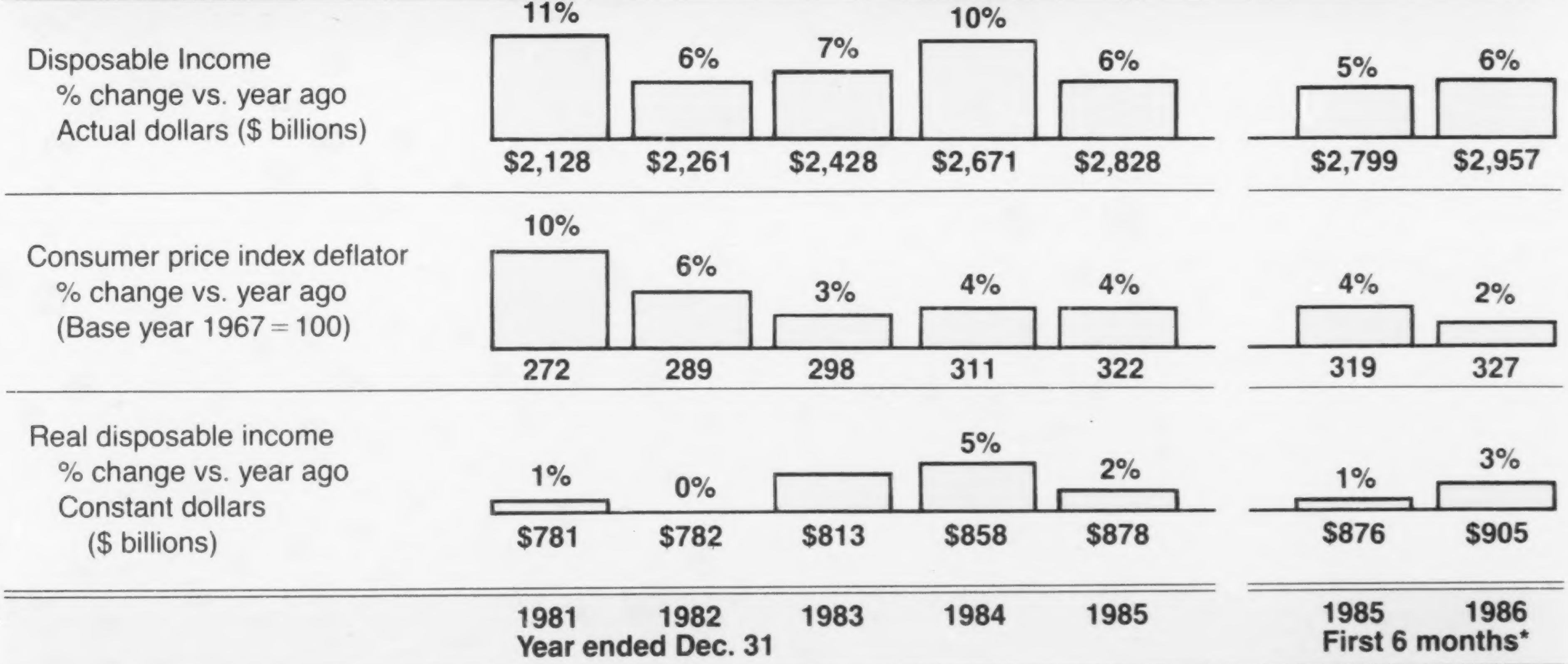
Price inflation held again at only 4% in 1985 and is only 2% above last year for the first part of 1986.

The largest current price increases continued to be found in the medical care area, particularly prescription drugs (+9%), physicians services (+7%), and dental services (+6%). Over-the-counter drug prices had increased by 5% during the first half of 1986.

Food away from home prices (−1%) and transportation costs (−2%) are actually declining from year ago levels.

Real Disposable Income Trends

Chart 4



*First six months on annualized basis

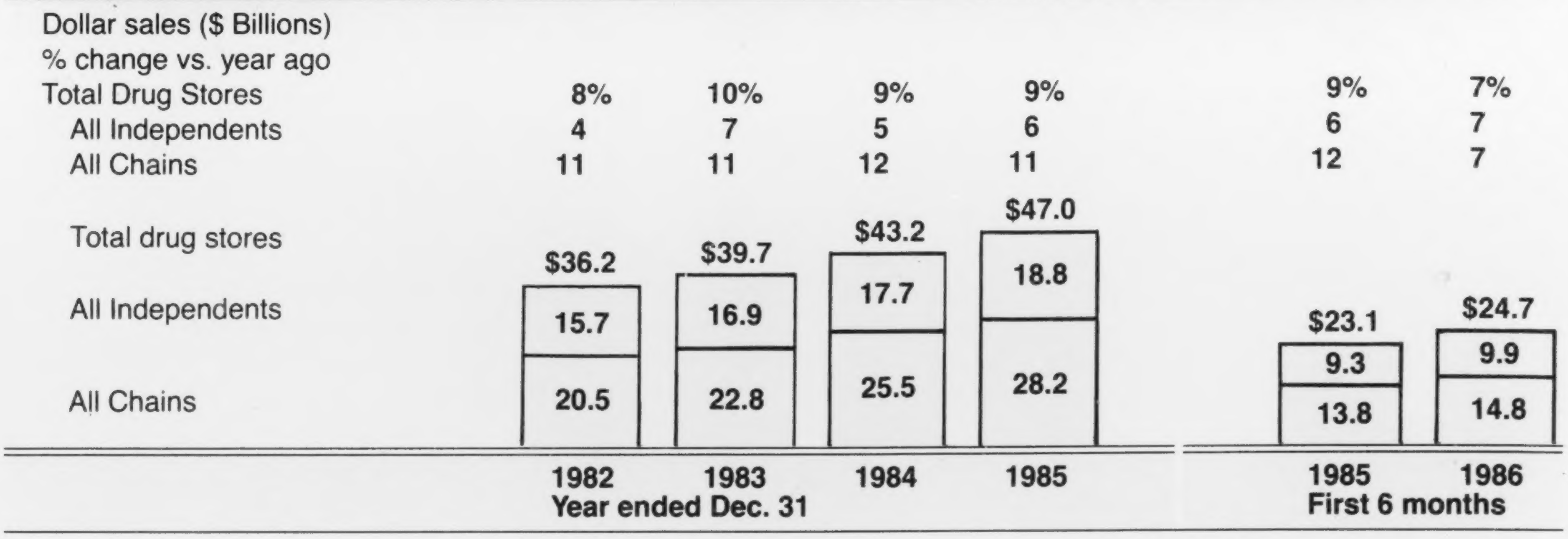
Source: U.S. Department of Commerce

Consumer real disposable income gained only 2% in 1985, a slow down from record 5% gains in 1984. However, for the first part of 1986, disposable income is again increasing (+3%).

Consumers had additional dollars for spending both because of increases in overall income as well as a slowing in the rate of inflation.

Chapter II: Retail Drug Store Sales

U.S. Retail Drug Store Sales *Chains vs. Independents* — Chart 5



Source: Nielsen Marketing Research Estimates

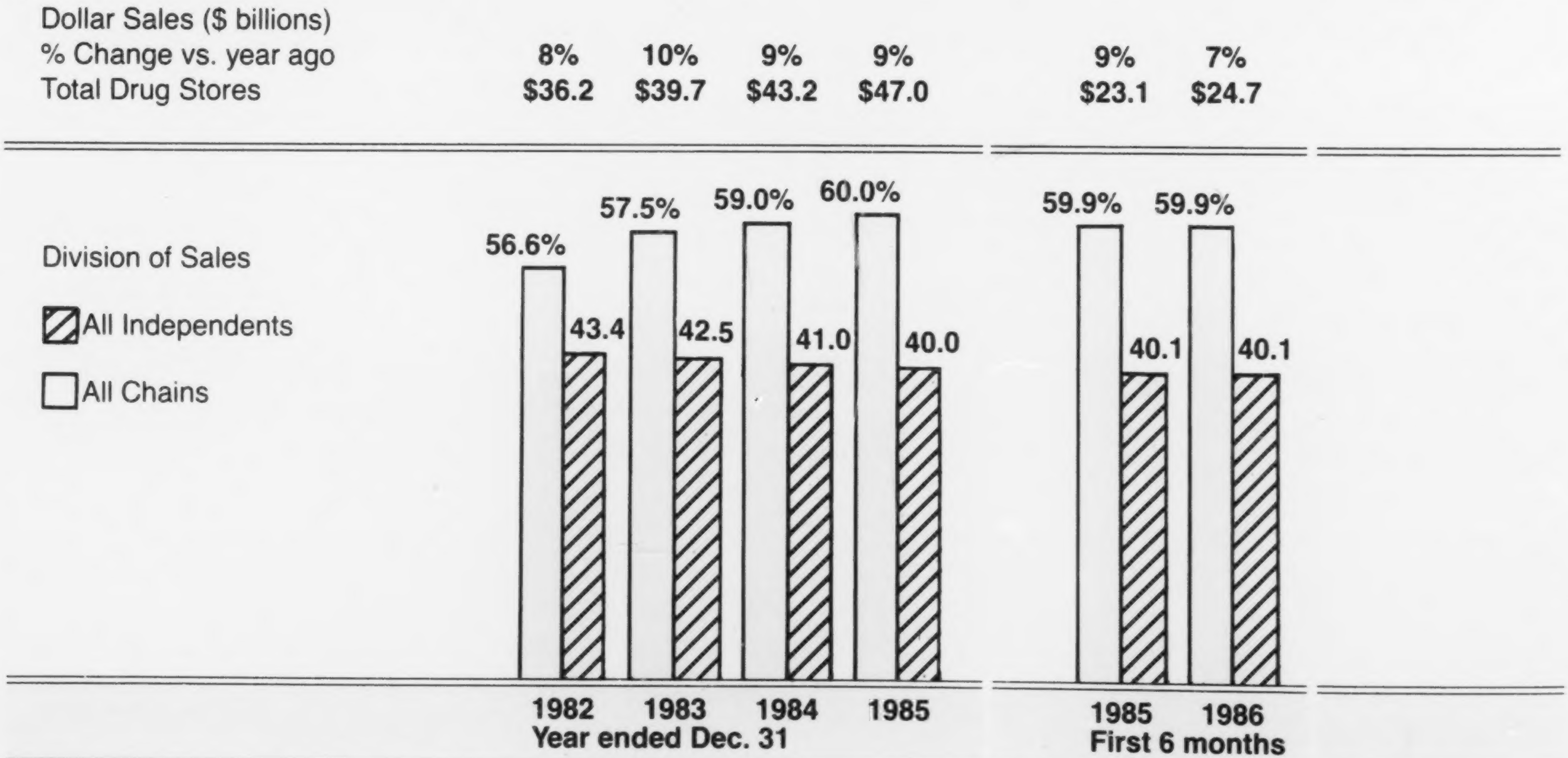
Retail drug store sales increased 9% in 1985 reaching $47 billion. For the first half of 1986, the growth rate has slowed slightly to 7% as price increases remain moderate.

Both chain drug outlets (those companies with four or more stores under the same ownership) and independently operated drug stores have been growing at the same 7% rate so far in 1986.

This is a change from historical patterns where chain drug outlets growth rates have outpaced independents by a considerable margin.

Independents, who historically have a higher portion of sales in prescriptions, are benefitting from the continued high inflation rates of prescription drug items to a greater extent than drug chains.

U.S. Retail Drug Stores Division of Sales — Chart 6



Source: Nielsen Marketing Research Estimates

Chain drug stores accounted for a sizable chunk (60%) of total drug store sales during 1985. But, so far in 1986, independent operators, particularly the high volume independents, have successfully defended their competitive position against the chains, maintaining a 40.1% share of the business.

Retail Drug Store Sales By Nielsen Retail Marketing Area — Chart 7

	1985 Drug Store Dollar Sales ($ millions)*	% Change vs. Year ago	1985 Share of U.S. Sales	1985 Population (millions)	Index Drug Store Sales Per Capita U.S. = 100	1984 Effective Buying Income ($ billions)	Index Buying Income Per Capita U.S. = 100
Total United States	**$46,995**	**9%**	**100.0%**	**236.7**	**$199**	**$2,558**	**$10,805**
New England	2,435	10	5.2	12.4	99	152	113
Metro New York	2,283	9	4.9	15.4	75	196	118
Albany/Buffalo/Syracuse	1,564	4	3.3	7.3	109	77	98
Philadelphia	1,853	11	4.0	10.1	93	115	105
Baltimore/Washington	1,906	8	4.1	7.9	121	97	113
Pittsburgh	1,073	9	2.3	6.6	82	62	88
Cleveland	1,335	13	2.8	6.6	102	69	97
Detroit/Grand Rapids	2,086	10	4.4	9.7	109	104	99
Indianapolis/Cincinnati/Lexington	2,156	8	4.6	10.8	101	108	93
Metro Chicago	1,961	7	4.2	7.8	126	95	113
St. Louis/Peoria	1,050	7	2.2	5.9	90	62	98
Kansas City/Omaha/Iowa	1,569	3	3.3	9.9	80	105	98
Minneapolis/Wisconsin	1,812	10	3.9	10.5	87	113	100
Denver/Mountains	901	8	1.9	5.3	86	58	102
Virginia/Carolinas	2,246	10	4.8	12.6	90	115	84
Florida/South Georgia	2,784	14	5.9	12.3	114	129	97
Georgia/Alabama	2,459	8	5.2	13.9	89	128	85
Delta	2,087	11	4.4	11.3	93	99	81
Albuquerque/San Antonio/Oklahoma	1,359	7	2.9	10.4	66	97	86
Dallas/Houston	2,130	6	4.5	10.5	102	123	108
Southern California	3,697	9	7.9	16.2	115	196	111
Boise/Salt Lake City/Phoenix	1,040	3	2.2	5.5	95	51	86
Northern California	3,465	14	7.4	10.5	165	129	113
Seattle/Portland	1,744	4	3.7	7.3	120	78	99

*Year ended Dec. 31

Source: Nielsen Marketing Research Estimates. Market Statistics Estimates

Of the 24 Nielsen retail marketing areas, drug store sales in Florida/South Georgia (+14%), northern California (+14%) and Cleveland (+13%) increased significantly above the U.S. average of 9% during 1985.

More moderate increases occurred in Seattle/Portland (+4%), Boise/Salt Lake/Phoenix (+3%), and Albany/Buffalo/Syracuse (+4%).

Total drug store sales per capita during 1985 were highest in northern California followed bv Seattle/Portland, Metro Chicago, and Baltimore/Washington. These are areas where drug stores have been successful at offering a wider merchandise mix including such items as alcoholic beverages, general merchandise and groceries.

Chapter III: HBA Sales Trends

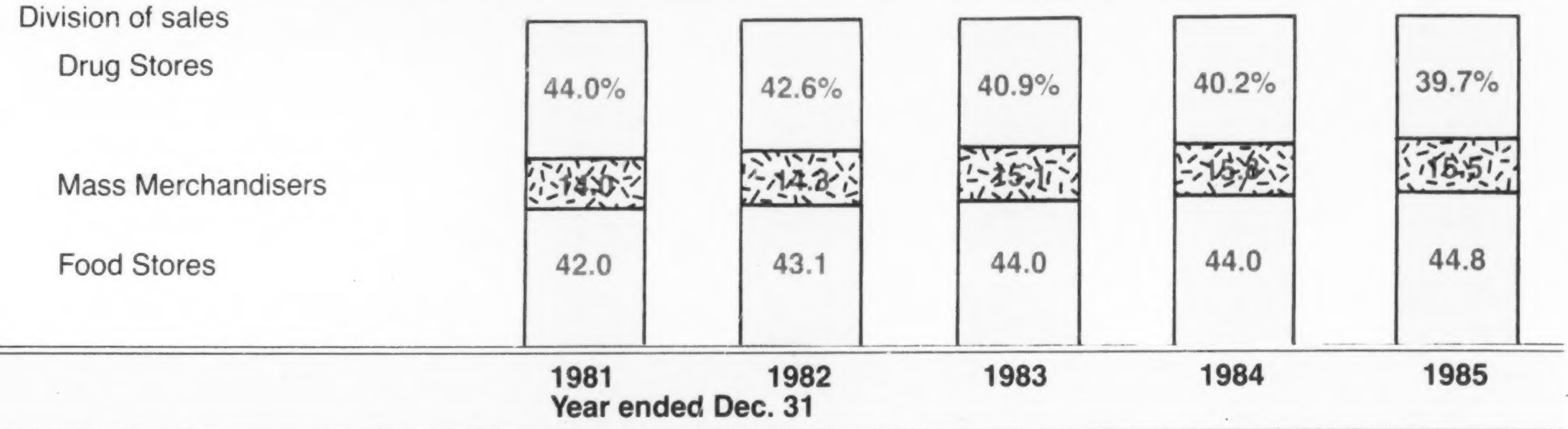
HBA Division of Sales By outlet type

Drug vs. Food vs. Mass Merchandisers

Chart 8

Nielsen HBA Index (59 categories)

Dollar Sales ($ millions)	1981	1982	1983	1984	1985
% change vs. year ago	15%	10%	10%	8%	5%
Total three outlets	$17,609	$19,310	$21,246	$22,896	$23,935



Source: Nielsen HBA Services

Total dollar sales of the 59 categories that comprise the Nielsen HBA Index climbed to $23.9 billion in 1985, a gain of 5% over a year ago.

Drug stores lost a little share in 1985, declining from a 1984 share of 40.2% to a 1986 share of 39.7%. That 39.7% represented some $9.5 billion in sales for the categories in the index.

Sales for the 59 HBA Index categories in 1985 accounted for 20.2% of total drug store sales.

Food stores increased their share of Nielsen HBA Index categories by 0.8 point to 44.8% in 1985, while mass merchandisers accounted for 15.5% of the outlet sales, down 0.3 point from 1985.

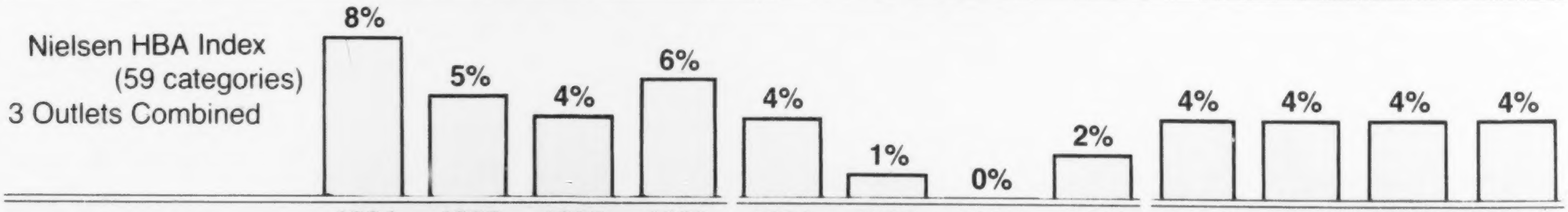
The Nielsen HBA Index is currently composed of 59 selected over-the-counter toiletry, cosmetic, remedial and paper goods categories. No prescription items are included.

(See chart 12 for a complete list of the 59 Nielsen HBA categories.)

HBA Sales and Price Trends *Drug vs. Food vs. Mass Merchandisers*

% change vs. year ago

Chart 9



	Dollar sales trends				Unit sales trends*				Price trends*			
	1984	1985	1985	1986	1984	1985	1985	1986	1984	1985	1985	1986
	Year ended Dec. 31		First 6 months		Yead ended Dec. 31		First 6 months		Year ended Dec. 31		First 6 months	
Drug Outlets	6	3	2	5	3	0	−1	3	3	3	3	3
Food Outlets	8	6	6	7	2	2	1	3	5	5	6	4
Mass Merchandisers	13	3	5	3	9	0	3	0	4	4	3	4

*Weighted by dollar sales importance

Source: Nielsen HBA Services

While sales rose 5%, Nielsen HBA Index unit sales climbed 1% in 1985 in the three mass market retail outlets combined. The only outlets with unit gains in 1985 were food outlets, up +2%.

Units sales trends are picking up during the first part of 1986, both in food (+2%) and in drug outlets (+3%).

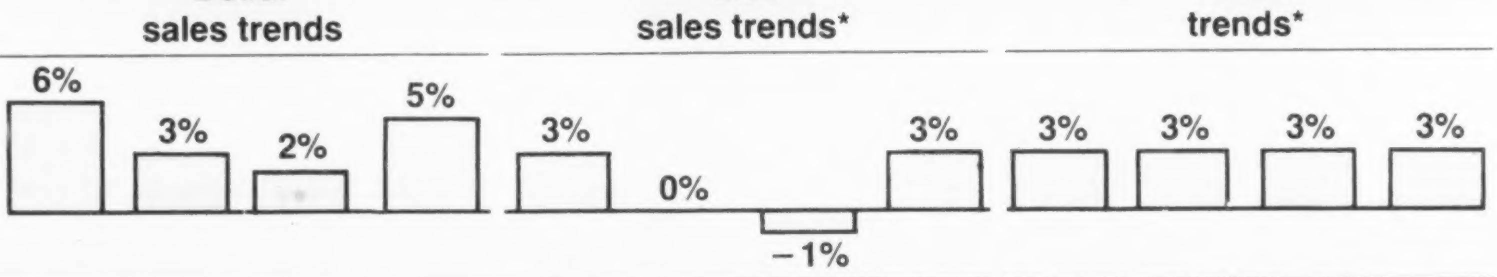
Prices for the Nielsen Index categories are averaging 4% higher for 1986 to date, with slower price inflation in drug outlets than in either food or mass merchandiser outlets.

HBA Sales and Price Trends *Drug Stores*

% change vs. year ago

Chart 10

Total Nielsen HBA Index (59 categories)



	Dollar sales trends				Unit sales trends*				Price trends*			
	1984 Year ended Dec. 31	1985	1985 First 6 months	1986	1984 Yead ended Dec. 31	1985	1985 First 6 months	1986	1984 Year ended Dec. 31	1985	1985 First 6 months	1986
Total Toiletries	6	3	2	5	4	0	−1	3	2	3	3	3
Men's Products	6	2	1	7	3	−1	−2	3	3	3	3	4
Skin Care	5	4	1	3	2	1	−2	0	3	3	3	3
Hair Care	4	1	0	5	3	0	−1	6	1	1	1	0
Oral Hygiene	8	6	5	7	6	−1	−2	3	2	7	8	4
Color Cosmetics	9	5	5	7	7	4	5	4	1	1	0	3
Other Toiletries	7	2	1	4	3	−3	−3	0	4	5	5	4
Total Remedial	4	3	1	5	−1	0	−2	2	5	4	4	3
Cold/Cough/ Flu/Sinus	6	6	4	8	1	1	−2	2	5	5	6	6
Analgesics/Digestive	3	2	1	4	−2	−1	−2	3	5	3	4	2
External medicines	3	4	2	6	0	2	1	3	3	2	2	3
Paper Goods	14	8	7	5	8	3	3	−1	5	4	4	6
Selected Sundries	10	1	−1	4	9	8	−1	5	1	−1	0	−1

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Drug store HBA unit sales growth slowed to a standstill in 1985 as Nielsen HBA Index unit sales remained unchanged from the year before.

Sales during the first half of 1986 are again on the upswing with unit sales increasing through most of the HBA Index product groups.

The stronger product groups include hair care (+6%), color cosmetics (+ 4%) and selected sundries (+5%). Remedial product sales growth, particularly analgesics, has not been affected by the most recent episodes of product tampering.

Drug retailers have excelled at keeping price increases at a minimal 3% average right through the first part of this year.

HBA Sales and Price Trends *Drug Chains vs. Independents*

'First 6 months 1986 % change vs. year ago

Chart 11

	Dollar sales trends		Unit sales trends*		Price trends*	
	Drug Chains	Drug Indpts.	Drug Chains	Drug Indpts.	Drug Chains	Drug Indepts.
Total Nielsen HBA Index (59 categories)	6%	3%	3%	0%	3%	3%
Total Toiletries	6	5	3	3	3	2
Men's Products	7	7	3	4	4	3
Skin Care	2	3	0	0	3	4
Hair Care	4	11	5	11	−1	1
Oral Hygiene	8	4	3	2	5	2
Color Cosmetics	8	4	5	1	3	3
Other Toiletries	5	0	1	− 2	4	3
Total Remedial	8	1	4	− 2	4	3
Cold/Cough/Flu/Sinus Remedies	11	2	4	− 3	6	6
Analgesics/Digestive Remedies	7	0	4	− 2	3	2
External Medicines	8	2	5	− 1	3	3
Paper goods	4	7	−1	2	6	5
Selected sundries	6	− 5	6	− 3	0	−2

*Weighted by dollar sales importance

Source: Nielsen HBA Services

HBA unit sales growth in drug chains during the first half of 1986 is averaging 3% above a year ago, considerably better than independents (±0%) and better than average index trends for the three outlets combined.

Drug independent sales are soft in all of the remedial product groups (−2%). Much of the independent overall weakness traces to smaller stores.

HBA prices are increasing at equal rates in both chain and independent drug stores.

HBA Category Sales Trends *Drug Stores*

First 6 months 1986 % change vs. year ago

Chart 12

59 CATEGORIES IN NIELSEN HBA INDEX

10 Categories showing major increase in dollar sales (10% or greater)

- Toothbrushes
- Internal Analgesics
- Bath Oil
- Nail Color
- Aftershave Lotion/Cologne
- Cold Remedies
- Hair Fixatives
- Hair Color
- Dieting Aids
- Early Pregnancy Test

41 Categories showing increases in dollar sales (0% to 10%)

- Chapped Lipped Preps
- Shampoo
- Shaving Cream
- Disposable Diapers
- Denture Cleansers
- Women's Fragrances
- After Shampoo
- Blades & Razors
- Women's Contraceptives
- Throat Lozengers
- Talc/Dusting Powder
- Hemorrhoid Preparations
- Denture Adhesives
- Ethnic Hair Preps
- Sleeping Tablets
- Laxatives
- Cough Syrup
- Stomach Remedies/Antacid
- Cotton Swabs
- Adhesive Bandages
- Eye Makeup
- Depilatories
- Hand & Body Lotions
- Batteries
- Sinus Remedies
- Diarrhea Remedies
- Cough Drops
- Nasal Spray
- Premoistened Towelettes
- Eye Drops & Lotions
- Feminine Douches
- Lip Makeup
- External Analgesics
- Mouthwash
- Men's Hair Preps
- Sanitary Protection
- Face Makeup
- Dentifrice
- Deodorants
- Dental Floss
- Food Remedies

7 Categories showing decreases in dollar sales (0% to −10%)

- Pet Flea Collars
- Arthritic Remedies
- Home Wave Kits
- Vitamins
- Face Creams & Lotions
- Acne Remedies
- Topical Hydrocortisones

1 Categories showing major decreases in dollar sales (−10% or greater)

- Sunglasses

Source: Nielsen HBA Services

Of the total 59 categories that currently compose the Nielsen HBA Index, a total of 51 are showing dollar gains for the first part of 1986. Particularly strong are the toothbrush, internal analgesics, bath oil, nail color, after shave lotion/cologne, cold remedies, hair fixtures, hair color, dieting aids, and early pregnancy test categories.

Division of Selected HBA Category Dollar Sales

Drug vs. Food vs. Mass Merchandisers

Chart 13

	1984 Drug	1985 Drug	Grocery	Mass Merchandisers
Total Nielsen HBA Index (59 Categories)	40.2%	39.7%	44.8%	15.5%
		Selected Individual Categories		
Topical Hydrocortisone	69.4	67.6	24.4	8.0
Foot Remedies	65.6	63.9	26.6	9.5
Laxatives	64.5	63.3	29.4	7.3
Ethnic Hair Preps	57.2	60.9	23.2	15.9
Color Cosmetics	59.9	59.1	16.5	24.4
Face Creams & Lotions	58.4	58.6	24.8	16.6
Hair Color	58.3	57.6	19.9	22.5
After Shave Lotion/Cologne	58.0	57.7	17.4	24.9
Sun Glasses	55.1	54.0	21.8	24.2
Home Wave Kits	54.4	54.0	20.7	25.3
Stomach Remedies/Antacid	49.7	48.5	42.7	8.8
Cold Remedies	48.9	48.3	43.7	8.0
Bath Oil	48.6	48.3	33.3	18.4
Hand & Body Lotions	47.3	46.5	37.2	16.3
Mousse	51.8	41.9	38.8	19.3
Feminine Douches	41.6	40.6	41.7	17.7
Sinus Remedies	38.7	38.2	52.4	9.4
Men's Hair Preps	38.6	38.5	45.4	16.1
After Shampoo Products	37.7	37.3	43.0	19.7
Internal Analgesics	37.2	37.1	53.0	9.9
Shaving Cream	31.8	32.2	49.0	18.8
Hair Fixatives	31.8	31.2	48.4	20.4
Mouthwash	29.0	30.2	54.3	15.5
Blades & Razors	29.8	29.6	52.6	17.8
Deodorants	28.7	28.5	52.4	19.1
Shampoo	28.5	27.9	53.1	19.0
Sanitary Protection	25.5	25.7	60.6	13.7
Dentifrice	22.3	22.4	61.6	16.0
Premoistened Towelettes	17.4	17.1	62.8	20.1
Disposable Diapers	10.9	11.2	77.8	11.0

Year ended Dec. 31

Source: Nielsen HBA Services

Drug stores accounted for 39.7% of the Nielsen HBA index dollar sales in 1985, slightly less than in 1984. Grocery stores, moving from a 44.0% share of business to a 1985 share of 44.8%, made the largest gains.

Of the 30 selected categories listed, drug stores improved their retail outlet share of sales in seven categories, most significantly in ethnic hair preparations and mouthwash. Food stores improved their share of sales in 21 categories, mass merchandiser in six categories.

Division of Selected HBA Category Dollar Sales

Drug Chain vs. Independents

Chart 14

	1984 Drug Chains	1985 Drug Chains	Drug Independents over $500,000	Drug Independents under $500,000
Total Nielsen HBA Index (59 Categories)	73.5%	74.9%	15.0%	10.1%
Selected Individual Categories				
Disposable Diapers	87.9%	89.6%	7.2%	3.2%
Ethnic Hair Preps	85.6	87.9	8.9	3.2
After Shampoo	84.7	86.0	10.0	4.0
Mousse	85.2	85.9	10.4	3.7
Premoistened Towelettes	84.1	85.1	10.0	4.9
Hair Color	84.1	85.1	10.5	4.4
Deodorants	82.6	83.6	10.9	5.5
Hair Fixatives	83.3	83.6	11.2	5.2
Dentifrice	81.8	83.2	10.6	6.2
Home Wave Kits	81.3	82.5	11.6	5.9
Shampoo	80.1	80.7	12.6	6.7
Color Cosmetics	79.0	80.3	14.0	5.7
Sanitary Protection	78.9	80.1	12.6	7.3
Men's Hair Preps	78.9	80.1	13.2	6.7
Blades & Razors	79.0	79.6	12.3	8.1
Face Creams & Lotions	78.2	79.3	13.8	6.9
Feminine Douches	77.0	78.9	12.9	8.2
Shaving Cream	77.4	78.3	13.5	8.2
After Shave Lotions/Colognes	77.1	78.0	15.0	7.0
Mouthwash	76.9	77.5	12.8	9.7
Bath Oil	74.0	75.0	16.2	8.8
Hand & Body Lotions	74.4	74.7	16.0	9.3
Sinus Remedies	69.2	72.0	15.6	12.4
Topical Hydrocortisones	66.8	68.8	17.1	14.1
Internal Analgesics	66.1	67.5	17.3	15.2
Sunglasses	67.2	67.4	19.0	13.6
Cold Remedies	65.7	67.3	18.0	14.7
Food Remedies	65.4	65.5	19.0	15.5
Stomach Remedies/Antacids	60.8	63.2	19.2	17.6
Laxatives	61.6	62.4	19.5	18.1

Year ended Dec. 31

Source: Nielsen HBA Services

Chain drug stores accounted for close to three quarters (74.9%) of Nielsen HBA Index dollar sales during 1985, an increase of 1.3 points. High volume independent drug store operators (over $500,000 in annual sales) captured 15.0% of sales while smaller independent operators lost 1.6 points.

Chain drug stores improved their share of sales in all of the 30 selected categories listed, with the bulk of their sales share gains coming at the expense of small independents.

HBA Sales Trends by Nielsen Retail Marketing Area *Drug Stores* Chart 15

First 6 months 1986 % change vs. year ago

	1985 Per Capita Index Total HBA Index Sales (Total US = 100)	1986 Nielsen HBA Index Dollar Sales Trends	1985 Per Capita Index Toiletries & Personal Care Sales (Total US = 100)	1986 Toiletries & Personal Care Dollar Sales Trends	1985 Per Capita Index Remedial Products Sales (Total US = 100)	1986 Remedial Products Dollar Sales Trends
Total United States	$ 40	5%	$ 21	5%	$ 15	6%
New England	111	8	111	9	111	7
Metro New York	89	15	90	14	90	13
Albany/Buffalo/Syracuse	89	− 4	82	− 3	92	− 4
Philadelphia	90	14	85	17	98	12
Baltimore/Washington	145	4	145	4	133	1
Pittsburgh	82	9	76	12	92	5
Cleveland	120	− 1	114	− 2	112	8
Detroit/Grand Rapids	75	6	69	6	82	5
Indianapolis/Cincinnati/Lexington	99	2	95	1	101	3
Metro Chicago	114	0	112	− 4	111	5
St. Louis/Peoria	68	1	62	1	76	2
Kansas City/Omaha/Iowa	71	− 1	64	− 4	84	2
Minneapolis/Wisconsin	85	2	80	2	94	5
Denver/Mountains	58	1	62	4	56	− 4
Virginia/Carolinas	101	2	103	2	102	5
Florida/South Georgia	117	10	121	7	114	13
Georgia/Alabama	92	9	91	9	97	7
Delta	91	12	92	12	89	10
Albuquerque/San Antonio/ Oklahoma	47	8	45	10	54	3
Dallas/Houston	111	− 7	118	−10	104	0
Southern California	120	7	129	7	108	8
Boise/Salt Lake/Phoenix	103	5	104	9	102	− 7
Northern California	177	14	185	16	160	11
Seattle/Portland	120	−10	125	− 7	113	−10

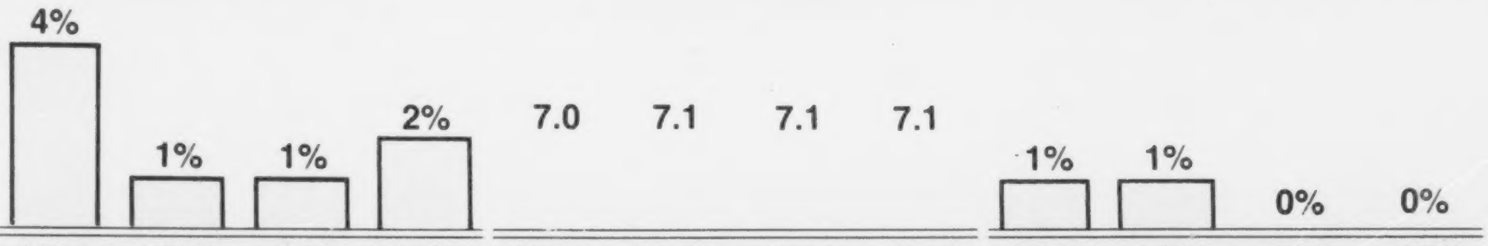
Source: Nielsen HBA Services

HBA sales trends by Nielsen Retail Marketing area were strongest during the first half of 1986 in Metro New York (+15%), Philadelphia (+14%), Florida/South Georgia (+10%), Delta (+12%), and Northern California (+14%) in 1985.

Average spending in drug stores on the Nielsen 59 HBA categories is about $40 per person based on 1985 sales rates. The average per person expenditure on toiletries was $21 and per person spending on remedial products was $15. Highest per capita drug store HBA expenditures occured in North California (177) followed by Baltimore/Washington (145).

Chapter IV: HBA Inventory Trends

HBA Inventory Trends *Drug vs. Food vs. Mass Merchandisers*
% change vs. year ago
Chart 16



	Inventory level trends*				Inventory stockturns (actual)*				Inventory stockturn trends*			
	1984	1985	1985	1986	1984	1985	1985	1986	1984	1985	1985	1986
	Year ended Dec. 31		First 6 months		Year ended Dec. 31		First 6 months		Year ended Dec. 31		First 6 months	
Total Nielsen HBA Index (59 categories) 3 Outlets Combined	4%	1%	1%	2%	7.0	7.1	7.1	7.1	1%	1%	0%	0%
Drug Outlets	2%	3%	3%	1%	4.4	4.3	4.4	4.5	1%	−2%	−3%	2%
Food Outlets	3	1	0	6	10.8	11.0	10.9	10.6	1	2	2	−3
Mass Merchandisers	9	−1	1	−1	6.4	6.4	6.5	6.5	1	1	1	0

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Store level inventories in three outlets combined increased an average of only 1% during 1985. The largest increases were in drug outlets (+3%).

Levels are up 2% for the first part of 1986, which is in line with unit sales increases during the same period. Most of the increases are the result of inventory build-ups in food outlets (+6%).

In food outlets, toiletries and personal care, and paper goods inventory build-ups are responsible for the increases.

DISCOUNT PRICES EVERY ITEM-EVERY DAY
DEEP DISCOUNT PRICES
EVERY ITEM-EVERY DAY

HBA Inventory Trends *Drug Stores* **Chart 17**
% change vs. year ago

	Inventory level trends*				Inventory stockturns (actual)*				Inventory stockturn trends*			
Total Nielsen HBA Index (59 Categories)	2%	3%	3%	1%	4.4	4.3	4.4	4.5	1	–2%	–3%	2%
	1984 Year ended Dec. 31	1985	1985 First 6 months	1986	1984 Year ended Dec. 31	1985	1985 First 6 months	1986	1984 Year ended Dec. 31	1985	1985 First 6 months	1986
Total Toiletries	3	4	4	2	3.9	3.8	3.8	3.8	1	–4	–5	1
Men's Products	4	2	2	2	4.2	4.1	4.1	4.1	–1	–3	–4	0
Skin Care	–3	2	0	–1	4.1	4.1	4.2	4.2	6	0	–2	1
Hair Care	4	6	6	1	4.3	4.1	4.1	4.3	0	–4	–6	5
Oral Hygiene	5	7	5	5	5.3	4.9	5.0	4.9	1	–7	–7	–2
Color Cosmetics	2	7	6	6	2.3	2.3	2.3	2.3	5	–3	–1	–2
Other Toiletries	4	1	2	0	3.8	3.6	3.7	3.7	0	–4	–5	0
Total Remedial	1	1	1	–3	4.5	4.5	4.7	5.0	–1	0	–2	7
Cold/Cough/Flu/Sinus	0	4	0	1	4.5	4.4	5.0	5.0	2	–3	–2	1
Analgesics/Digestive	1	–1	1	–6	4.5	4.5	4.5	5.0	–2	1	–2	10
External Medicines	–4	4	3	0	4.6	4.5	4.5	4.6	5	–1	–1	4
Paper goods	6	2	4	5	7.1	7.2	7.1	6.5	4	2	1	–7
Selected sundries	4	8	9	14	4.9	4.0	6.2	5.7	–2	–7	–9	–8

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Drug store inventory levels grew by an average of 3% during 1985, a rate considerably higher than unit sales growth. This caused a 2% decline in stockturn rates.

Currently, HBA index inventory levels are 1% above year ago, with remedial product inventories, specifically analgesic/digestive remedies down sharply from year ago.

This is a direct result of the product tampering problems that have plagued the industry in early 1986.

HBA Inventory Trends *Drug Chains vs. Independents*
First 6 months 1986 % change vs. year ago

Chart 18

	Inventory level trends*		Inventory stockturns (actual)*		Inventory stockturn trends*	
	Drug Chains	**Drug Indpts.**	**Drug Chains**	**Drug Indpts.**	**Drug Chains**	**Drug Indepts.**
Total Nielsen HBA Index (59 categories)	4%	− 5%	5.2	3.1	− 1%	7%
Total Toiletries	4	− 1	4.5	2.3	0	5
Men's Products	4	− 2	5.0	2.3	− 2	6
Skin Care	1	− 3	5.0	2.5	− 1	3
Hair Care	2	− 1	4.7	2.7	4	12
Oral Hygiene	7	1	5.5	3.3	− 3	2
Color Cosmetics	8	3	2.7	1.3	− 2	− 2
Other Toiletries	2	− 2	4.4	2.1	− 1	2
Total Remedial	2	−10	6.0	3.6	3	10
Cold/Cough/Flu/Sinus Remedies	8	− 7	6.1	3.6	− 3	4
Analgesics/Digestive Remedies	−0	−12	5.9	3.6	6	13
External Medicines	6	− 6	5.8	3.0	1	6
Paper goods	7	− 2	7.3	3.8	−10	5
Selected sundries	18	4	6.2	3.9	− 9	− 7

*Weighted by dollar sales importance

Source: Nielsen HBA Services

Drug chain inventory levels increased 4% over a year ago during the first part of 1986. This increase is almost in line with sales increases over the same period, since stockturn rates are only slightly lower than year ago.

Inventory levels for independent drug stores are down 5% with analgesic/digestive remedials (−12%) off significantly. The sharp decline in the analgesic/digestive inventories in the remedial categories did not hurt overall sales rates.

HBA Visual Inventory Trends *Drug Chains vs. Independents*

First 6 months 1986 % change vs. year ago

Chart 19

	Visual inventory level trends			Visual inventory as % of Total Inventory*		
	Total Drug Stores	Drug Chains	Drug Indpts	Total Drug Stores	Drug Chains	Indpts
Total Nielsen HBA Index (59 categories)	2%	5%	− 5%	90.5%	91.6%	88.7%
Total Toiletries	2	4	− 1	93.5	93.5	93.5
Men's Products	3	5	− 2	91.7	90.9	93.1
Skin Care	− 1	0	− 4	92.9	93.1	92.6
Hair Care	2	3	− 1	93.6	93.6	93.4
Oral Hygiene	5	7	0	88.0	87.4	89.4
Color Cosmetics	6	8	4	96.3	96.4	96.2
Other Toiletries	1	3	− 4	93.4	93.8	92.7
Total Remedial	− 2	3	− 8	88.0	92.7	84.3
Cold/Cough/Flu/Sinus	2	7	− 5	85.1	90.9	78.6
Analgesics/Digestive	− 4	1	−10	89.8	93.1	85.8
External Medicines	0	6	− 6	93.4	95.1	91.4
Paper goods	6	8	− 1	67.9	68.4	66.7
Selected sundries	15	18	5	79.8	80.3	78.0

*Weighted by dollar value of inventory

Source: Nielsen HBA Services

Walgreens
Do Not

During the first part of 1986, drug store retailers kept an average of 90.5% of their total store inventories in front of the consumer.

Independent drug stores operators maintained higher backroom stocking levels than chain operators, particularly in the remedial sections. Only 84.3% of remedial product stocks in independents are directly available to the consumer, 8 points lower than chain operators.

The current change in visual inventory levels from last year is similar to the change in overall inventories with one exception—it is evident that product tampering problems have forced independent operators to quickly remove both front and backroom stocks of remedial products in capsule form.

Chapter V: Space Allocation

HBA Average Linear Feet of Shelf Space *By store type* Chart 20

	Drug Chains		Drug Large Independents		Food Chains Over $2 million		Mass Merchandisers	
	1984	1985	1984	1985	1984	1985	1984	1985
Selected Toiletries & Personal Care								
After shave lotion/cologne	30 ft.	28 ft.	27 ft.	23 ft.	NA	7 ft.	21 ft.	18 ft.
Dentifrice	43	47	17	18	NA	32	38	39
Denture adhesive/cleanser	25	26	14	14	NA	11	16	16
Deodorants	61	64	30	27	NA	40	58	60
Face creams & lotions	28	24	16	13	NA	8	16	14
Hair coloring	65	65	35	29	NA	16	53	48
Hair fixitives	39	42	16	16	NA	20	44	39
Hair preparations	68	70	29	27	NA	32	57	55
Hand lotions & creams	33	29	18	16	NA	13	25	23
Home wave kits	17	17	9	10	NA	5	16	13
Mouthwash	32	31	13	11	NA	19	32	31
Shampoos	71	66	35	32	NA	43	73	66
Shaving cream	20	20	11	9	NA	11	21	19
Selected Remedial Categories								
Acne remedies	18	17	15	13	NA	7	10	11
Stomach remedies/antacids	36	36	26	24	NA	13	20	19
Chest rubs	7	6	5	5	NA	3	3	3
Cold & sinus remedies	44	42	28	28	NA	18	22	21
Cough syrups	20	19	16	13	NA	7	9	8
Internal Analgesics	49	54	29	31	NA	27	32	33
Laxatives	36	41	26	25	NA	10	15	14
Nasal sprays & drops	11	11	8	7	NA	4	5	5
Vitamins	85	84	57	60	NA	31	47	43
Selected Paper Products								
Disposable diapers	41	45	12	13	NA	53	58	59
Sanitary napkins	46	57	21	22	NA	38	52	64
Tampons	19	18	10	9	NA	11	19	14

End of April Basis
NA = Not available

Source: Nielsen HBA Services Survey

In 1985, drug chains operators allocated an average of 3 additional linear feet of shelf space to the dentifrice, deodorants, hair fixatives, headache remedies, laxatives and sanitary napkins and disposable diapers categories.

Only vitamins were allocated significant additional space by high volume independent drug store operators.

TAMPAX
TAMPAX
TAMPAX
35¢ OFF
35¢ OFF
TAMPAX
TAMPAX
TAMPAX
NEW FREEDOM
NEW FREEDOM

HBA Average Dollar Sales *By store type* *Per Month Per Linear Foot of Space Allocation*

Chart 21

	Drug Chains*		Drug Large Independents*		Food Chains Over $2 million +		Mass Merchandisers*	
	1984	1985	1984	1985	1984	1985	1984	1985
Selected Toiletries & Personal Care								
Hair preparations	$20.91	$20.00	$10.25	$10.05	NA	$36.06	$31.16	$33.18
Dentifrice	23.52	22.81	12.71	11.91	NA	65.63	48.43	51.73
Denture adhesive/cleansers	21.08	17.31	10.45	8.74	NA	33.71	28.06	28.14
Deodorants	24.56	24.69	10.62	11.86	NA	52.07	46.70	46.31
Face creams & lotions	38.53	45.14	19.43	22.73	NA	47.15	52.67	60.71
Hair coloring	17.45	16.61	6.41	7.29	NA	22.42	20.77	22.39
Hair sprays	17.66	16.30	8.94	9.13	NA	37.90	25.46	31.60
Hand & body lotions	22.98	26.45	13.75	15.99	NA	39.85	29.07	34.65
Home wave kits	17.19	20.09	7.86	7.69	NA	19.91	28.47	32.24
Mouthwash	17.03	18.50	10.90	13.49	NA	41.88	26.91	26.66
Shampoos	22.85	22.93	11.35	11.51	NA	49.27	38.92	42.17
Shaving Cream	14.54	13.76	7.14	8.23	NA	27.09	21.72	23.55
Selected Remedial Products								
Acne remedies	19.23	19.83	8.84	9.54	NA	31.95	21.59	20.33
Stomach remedies/Antacids	30.37	27.49	20.92	19.39	NA	52.56	29.62	32.74
Internal analgesics	47.98	42.97	33.75	29.70	NA	94.17	62.76	60.35
Laxatives	30.39	26.04	20.27	20.75	NA	44.42	29.14	30.74
Nasal sprays & drops	26.87	27.08	16.02	17.94	NA	54.46	28.84	29.51
Vitamins	23.74	22.19	18.00	15.44	NA	29.23	26.05	25.98
Selected Paper Products								
Disposable diapers	31.82	30.99	16.24	15.55	NA	121.43	59.91	60.27
Sanitary protection	23.93	21.10	12.62	12.56	NA	52.49	32.70	36.44

*Year ended April 30 for sales
NA = Not available

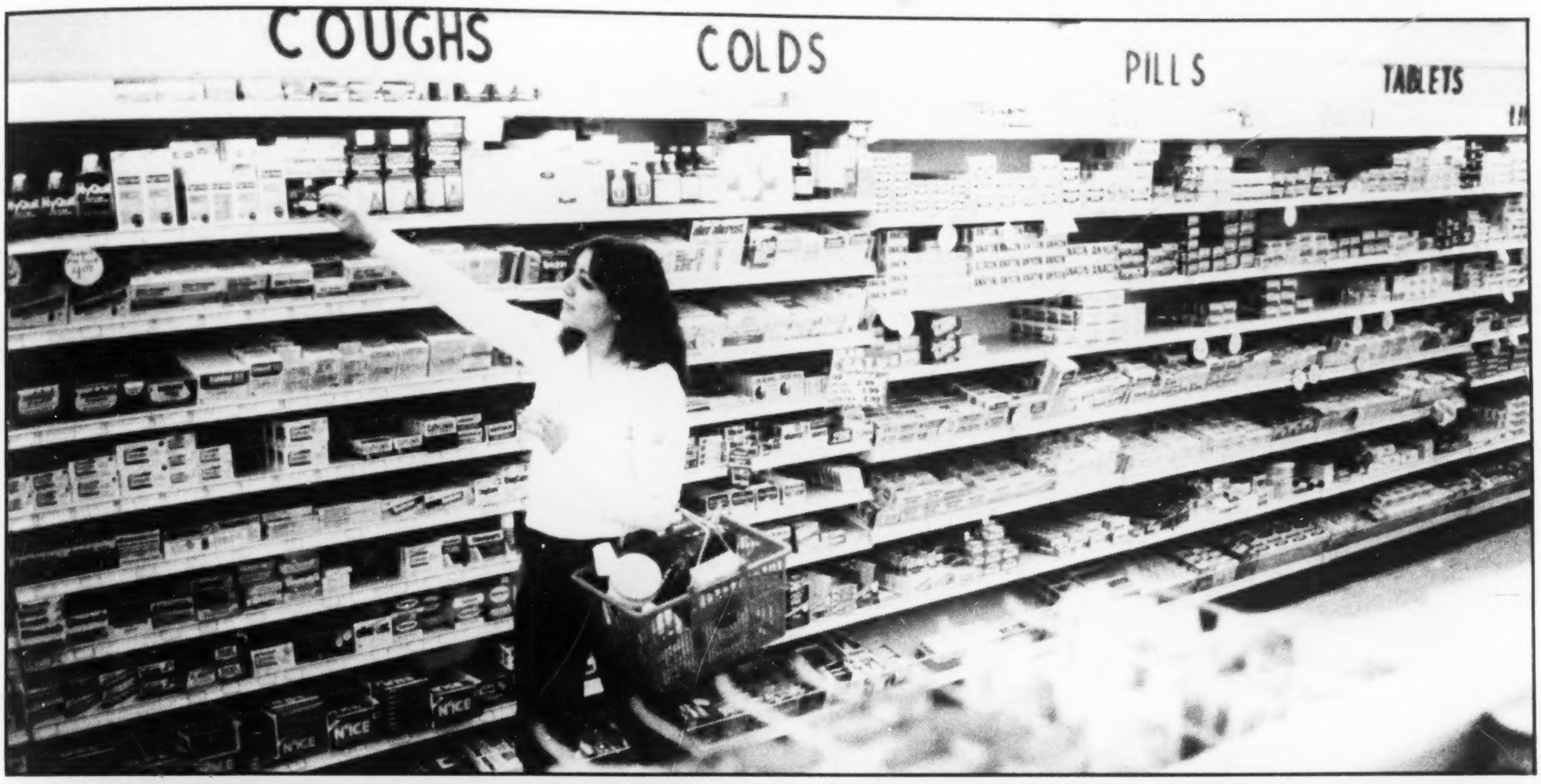
Source: Nielsen HBA Services

CASTLE
LUBRIDERM
LOTION
4 FL OZ
$1.30

In chain drug outlets, face creams & lotions surpassed headache remedies as the highest selling category in dollar sales of the 20 being measured. At $45.14 per linear foot, face creams and lotions sales experienced a 17% increase over year ago levels. This is the result of both decreased space allocations and increased sales for the category.

Headache remedies, with sales of $29.70, is still the leading producer in sales per linear foot in large high-volume independent drug stores.

Disposable diapers at $121.43 per foot is the highest seller in large food chains; and face creams and lotions at $60.71 per linear foot surpassed both headache remedies and disposable diapers to become a top seller in mass merchandisers during 1985.



HBA Average Annual Inventory Turnover *By store type* Chart 22

	Drug Chains*		Drug Large Independents*		Food Chains Over $2 million +		Mass Merchandisers*	
	1984	1985	1984	1985	1984	1985	1984	1985
Selected Toiletries & Personal Care								
Hair preparations	4.7	4.2	2.9	2.7	NA	6.5	6.4	5.8
Dentifrice	6.0	5.1	4.4	4.1	NA	8.6	7.9	7.3
Denture adhesive/cleansers	6.7	6.3	3.9	3.8	NA	8.5	7.1	6.6
Deodorants	6.0	5.5	3.5	3.3	NA	9.1	7.2	7.3
Face creams & lotions	4.8	4.8	2.6	2.7	NA	6.7	5.7	6.5
Hair coloring	4.0	3.5	2.2	2.1	NA	3.9	4.1	4.2
Hair sprays	6.1	6.0	3.5	3.9	NA	11.4	7.7	8.7
Hand & body lotions	5.5	5.4	3.1	3.2	NA	8.1	6.4	6.7
Home wave kits	4.6	4.2	2.9	2.7	NA	4.6	5.8	5.8
Mouthwash	6.5	6.3	4.7	4.8	NA	11.5	8.3	8.8
Shampoos	4.8	4.7	3.0	2.9	NA	9.9	6.5	6.8
Shaving Cream	5.6	5.4	3.4	3.4	NA	9.1	6.9	6.9
Selected Remedial Products								
Acne Remedies	5.2	4.8	3.0	2.9	NA	6.4	4.6	5.0
Stomach remedies/Antacids	6.3	5.8	3.7	3.6	NA	7.7	5.4	5.7
Internal analgesics	6.4	6.2	4.0	4.5	NA	9.4	6.0	6.0
Laxatives	6.7	6.3	4.4	4.4	NA	7.6	5.7	5.5
Nasal sprays & drops	5.7	5.7	3.4	3.5	NA	6.2	5.2	5.1
Vitamins	4.0	4.2	2.8	2.9	NA	5.1	4.5	4.3
Selected Paper Products								
Disposable diapers	11.2	10.7	4.8	5.1	NA	33.1	11.1	11.4
Sanitary protection	6.3	6.4	3.7	4.0	NA	11.8	7.4	7.7

Source: Nielsen HBA Services

*Year ended April 30 for sales
NA = Not available

General Merchandise—Average Linear Feet of Shelf Space *Per store handling category*

Drug Chain stores—end of November 1985 basis

By Nielsen Territory	U.S. Average	New England	Metro N.Y.	Middle Atlantic	East Central	Metro Chicago	West Central
Average General Merchandise	1,718 ft.	1,184	777	1,493	1,626	2,042	1,654
Small electrics	98	41	87	73	94	76	88
Canned motor oil	20	9	10	17	13	16	10
Oil filters	9	3	8	7	4	11	6
Air filters	9	4	4	9	9	13	11
Other automotive products	69	36	51	61	67	93	52
Lawn and garden supplies	46	9	8	15	9	74	28
Hardware	89	44	33	78	70	80	60
Paint	19	8	19	16	9	10	20
Picnic supplies	32	16	29	31	28	30	21
Sporting goods	83	8	6	12	11	4	10
Toys	218	155	123	215	234	192	185
Photo equipment	40	27	27	39	45	56	34
Records and tapes	42	56	4	12	31	43	11
Books	92	73	36	88	92	108	92
Stationery and school supplies	212	188	133	204	223	211	208
Greeting cards	476	534	207	526	581	684	633
Pet supplies	52	31	35	51	53	56	58
Soft goods	91	31	52	39	41	113	66
Sewing notions	32	22	14	30	24	39	28
Knitting supplies	30	17	0	31	20	17	29
Housewares	116	77	38	78	94	226	99
Kitchenware	96	41	45	92	64	88	45
Glassware/chinaware/woodware	62	34	17	40	40	53	39

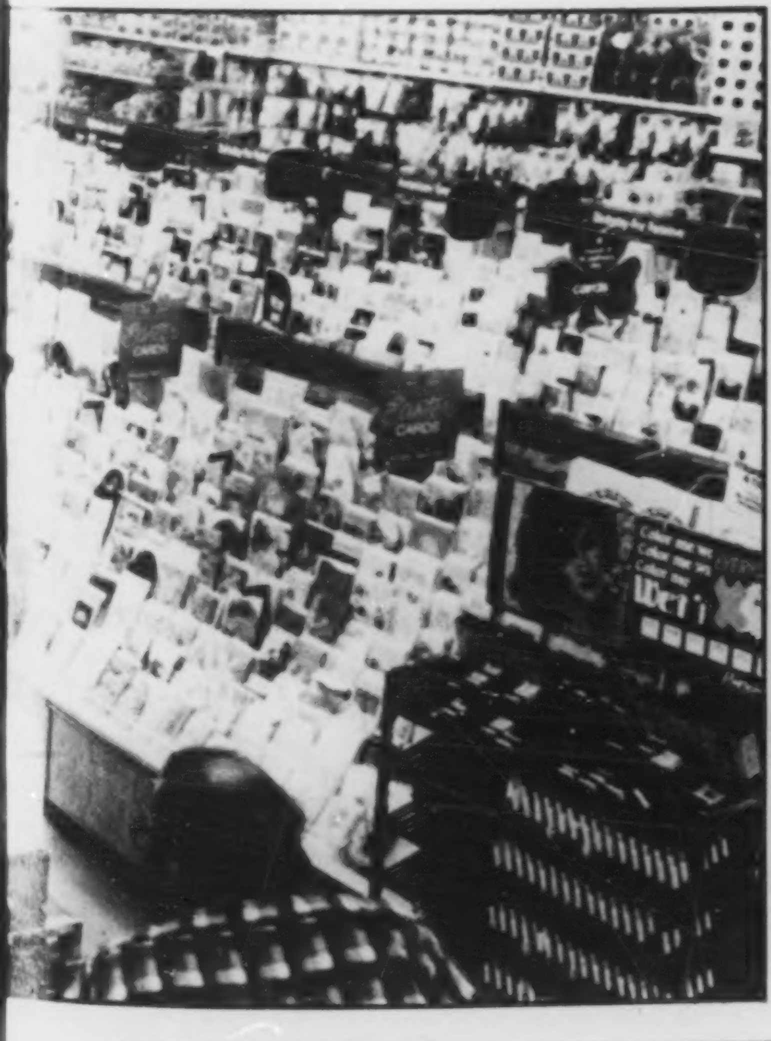
Chain drug retailers who devote store space to general merchandise, allocate an average of 1,718 linear feet to such products based on a November 1985 study conducted by Nielsen Marketing Research. Higher than average levels are found in Metro Chicago (2,042 ft.). Metro Los Angeles (1,946 ft.) and in the Pacific Nielsen territories (3,005 ft.).

Greeting cards with 476 linear feet of shelf spacing garners top average allocation in almost all territories, but it should be noted that the specially designed display cases help provide large amounts of display space measured on a linear basis.

Chart 23

uth- st	South- west	Metro L.A.	Pacific
1 34	1,563	1,946	3,005
33	105	108	176
26	25	21	29
7	3	14	16
9	6	5	12
62	45	133	109
31	95	55	86
70	108	163	159
15	17	14	40
33	39	37	39
30	82	88	213
50	171	222	430
27	42	53	62
13	18	40	115
01	75	65	116
92	222	202	270
81	492	318	392
51	46	52	67
59	79	257	218
27	26	57	54
15	18	34	63
88	125	143	222
67	87	216	204
37	76	110	133

Source: Nielsen HBA Services Survey



Chapter VI: Drug Store Merchandising D

Drug Store Merchandising/Operation Strategies *Drug Chains vs. Large Independents*

All commodity volume basis—End of February 1986

By Nielsen Territory	Total U.S.	New England	Metro N.Y.	Middle Atlantic	East Central	Metro Chicago	West Central
Open 24 hours							
Chain	8 %	0%	0%	11%	20%	27%	5%
Large Independent	1	10	0	0	0	0	0
Pharmacy Computer system							
Chain	58	42	79	48	77	75	76
Large Independent	67	63	54	95	63	61	66
Cosmetician							
Chain	29	0	42	24	21	69	58
Large Independent	23	13	18	29	3	8	43
Prerecorded video tapes							
Chain	15	23	9	17	7	14	13
Large Independent	5	12	0	0	0	17	22
Film developing							
Chain	94	91	56	97	98	98	92
Large Independent	76	77	57	95	86	67	86
Lottery tickets sold							
Chain	26	18	0	19	22	14	27
Large Independent	22	58	28	4	21	58	27
Alcoholic beverages sold							
Chain	61	15	0	30	74	77	52
Large Independent	13	26	0	11	32	14	13
Liquor							
Chain	35	4	0	0	45	77	46
Large Independent	12	26	0	11	32	14	13
Beer							
Chain	60	15	0	30	71	77	52
Large Independent	10	0	0	11	32	14	13
Wine							
Chain	50	4	0	10	71	77	48
Large Independent	11	16	0	11	32	14	13

According to a Nielsen H&BA services survey taken at the end of February 1986, 8% of drug chain stores now provide customers with 24-hour shopping/prescription convenience.

Film developing services are offered by almost all drug chains and over 75% of large independents.

Alcoholic beverages are sold by slightly under two thirds of all drug chains, but by very few independents.

Sixty-seven per cent of large independents maintain a pharmacy computer system while only 58% of drug chains do.

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Chart 24

South-east	South-west	Metro L.A.	Pacific
0%	4%	0%	12%
0	0	0	0
65	45	47	43
85	65	75	46
29	32	38	20
25	27	41	30
14	42	7	8
0	0	0	3
92	99	93	96
67	35	72	92
0	0	89	52
0	0	12	38
63	58	86	82
0	0	0	8
7	26	86	78
0	0	0	8
63	58	86	78
0	0	0	8
31	52	86	80
0	0	0	8

Source: Nielsen HBA Services Survey

FILM
1.99
Kodak
Kodak
600
COOKIES
Gillette

Chapter VI: Drug Store Merchandising

Drug Store Cosmeticians *Drug Chains vs. large Independents*
Indexed to stores without cosmeticians by store type

Chart 25

	CHAINS		LARGE INDEPENDENTS	
	Without Cosmetician	**With Cosmetician**	**Without Cosmetician**	**With Cosmetician**
STORE CHARACTERISTICS				
Cosmetician Available	71%	29%	77%	23%
Annual All Commodity Volume Per Store				
All Commodity Volume ($ million)	$1.5	$2.3	$0.8	$1.1
Index To Stores Without Cosmeticians	100	150	100	132
SALES INDICES*				
Dollar Sales Per Store	100	154	100	304
Unit Sales Per Store	100	144	100	281
Dollar Sales Per Million Acv	100	106	100	247
Unit Sales Per Million Acv	100	99	100	228
INVENTORY MANAGEMENT*				
Average Inventory Units Per SKU Stocked	100	111	100	120
Average Inventory Stockturns	100	109	100	132
MERCHANDISING CHARACTERISTICS*				
Average Price Per Unit	100	107	100	108
Rack Display Usage	100	100	100	198
Local Advertising	100	101	Not Significant	
Special Price Features	100	115	100	190

*Index numbers are unweighted averages for three cosmetic department categories (Eye makeup, Face makeup, Face creams & lotions). Data is from the January-February 1986 bimonthly period.

Source: Nielsen HBA Services

Nielsen's H&BA services study, taken at the end of February 1986, also found that 29% of chain and 23% of large independent drug stores employed cosmeticians.

Annual all commodity store sales in chains employing a cosmetician averaged $2.3 million, 50% higher than chains that did not have cosmeticians.

Independents with cosmeticians had total store sales of $1.1 million, 37% higher than independents that did not have them.

An examination of the sales characteristics of three major cosmetic categories (eye makeup, face makeup and face creams and lotions) revealed that chains with a cosmetician sold an average of $8.8 thousand per store during the bimonthly period, 54% greater than chains without a cosmetician.

Independents with a cosmetician sold an average of $3.4 thousand per store, 204% greater than independents without a cosmetician.

Adjusting for differences in store sizes by expressing sales relative to total store volume, we find that cosmeticians add only 6% to sales in chains, but a whopping 147% to sales in independents.

The wide margin between the effectiveness of the cosmetician in chains vs. independents is due in part to different merchandising strategies.

An independent with a cosmetician is using this cosmetic department above all else to differentiate itself from its competitors while, on the average, chain stores do not appear to generate a disproportionately higher rate of sales from their cosmetic departments when they employ a cosmetician.

This is reinforced by the absence of significant differences in chain merchandising tactics. Chains with cosmeticians don't use in-store rack displays, local advertising or special pricing to any more significant degree than chains without cosmeticians.

Cosmeticians certainly help with inventory management tasks, allowing more inventory per sku. They also helped increase turnover by an average of 9% in chains and a full 32% in independents.

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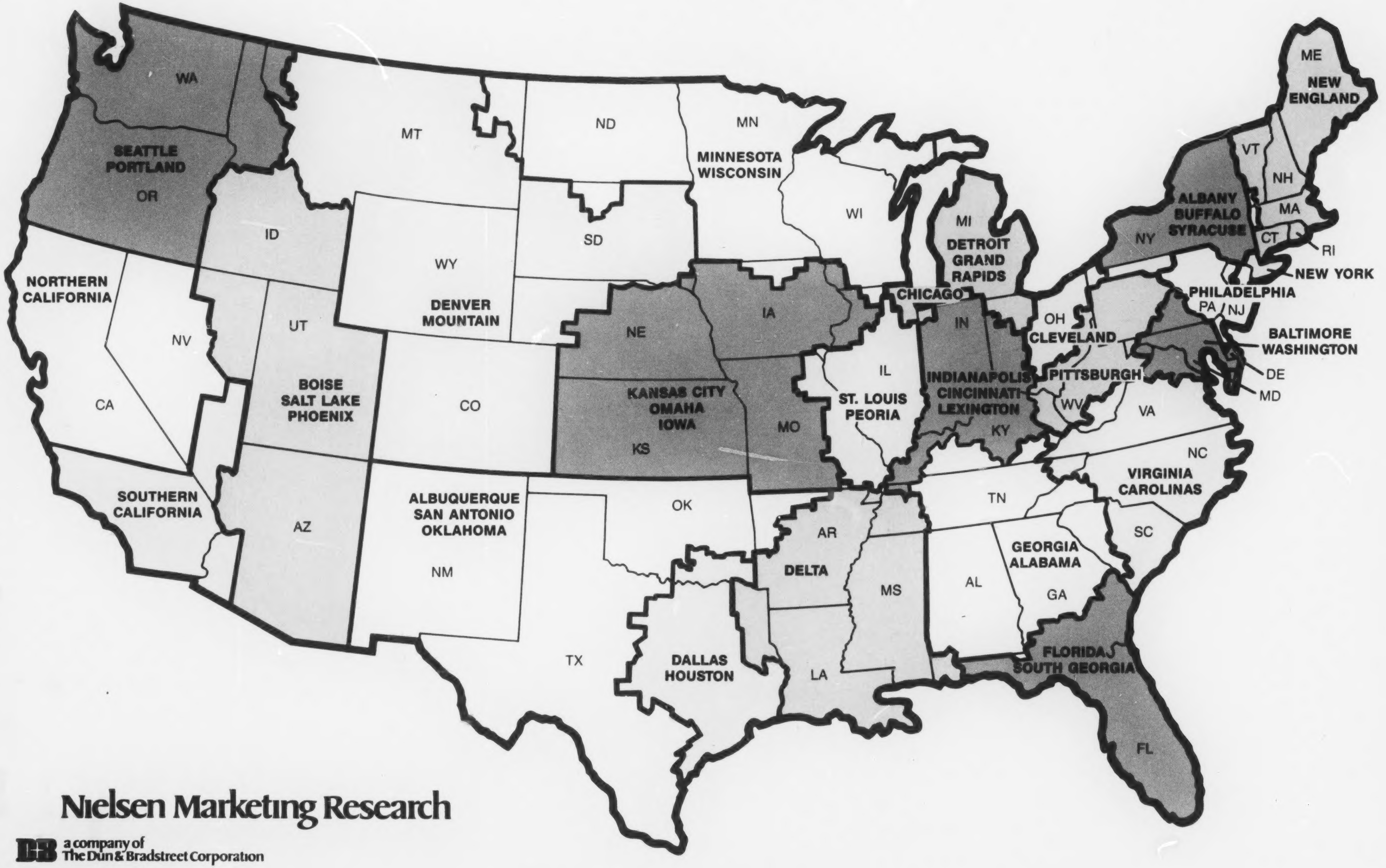
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